#### World News iran-Contra judge calls for Reagan diary entries

The judge in the Iran-Contra case of ex-White House side John Poindexter ordered former President Ronald Reagan to turn over to the defence certain entries from his personal

diaries.

Defence lawyers have
described Reagan as one of
their most important wifnesses, claiming he would provide crucial evidence showing
that Pointerter's actions had been known or approved. They issued a subpoena for the papers and records. Page 3

Honecker released Erich Honecker, the former East German leader, was released from detention after an East Berlin appeal court upheld a judge's refusal to order his arrest on charges of "high treason" because of his failing health. Page 2

US fears on Europe The US is increasingly con-cerned that events in the Soviet Union and Eastern Europe are spinning out of control, posing fresh problems for East/West discussions on the future of Europe. Page 16

Pakistan stays firm Pakistan does not want war with India over a Moslem rebellion in Kashmir but refuses to compromise over the region, Sababzada Yaqub Khan, Foreign Minister of Pakistan said. Page 5

Sofia offers power Bulgaria's ruling Communist party invited the independent opposition to form a government of national consensus an offer which was immediately rejected. Page 2

Nato troops out The Netherlands is stepping ning to withdraw 750 troops from W Germany, Page 2

Policeman killed nians demanding political reforms in Yugoslavia's Kosovo province, security offi-

Managuan amnesty The Nicaraguan government is to grant annesty to all the remaining Contra prisoners in its jails following an agree-ment between President Ortega and local Catholic church leaders. Page 4

Thai dockers strike Dockers in Thailand paralysed the nation's trade in protest at government plans to allow private companies to operate a new deep-water port being built on the eastern seaboard. Page 4

Chinese laud troops Chinese authorities in Tibet held a mass meeting to award more than 400 medals to police and troops who suppressed Tibetan nationalists.

Boeing hits heron A Dutch Boeing 747 with more than 400 passengers on board returned to Amsterdam's Schi-

phol airport shortly after take-off following a mid-air collision

Missionary killed An Italian missionary was killed and another was wounded when gunmen

ambushed their car in northern Uganda.

Crew feared dead All 19 crewmen of a Greek-reg-

istered cargo ship, the Flag Theofano, were feared dead after it sank in a storm in the English Channel

A former official of the Christian Democrat group in Strasbourg won a place in legal his-tory as the European Court

#### **Business Summary Cohen quits** as chairman of troubled

Peter Cohen resigned as chairman of Shearson Lehman Hutton, troubled investment banking and brokerage subsidnanking and properage super lary of American Express, amid speculation that Shear-son is about to drop its planned public share offer.

Shearson

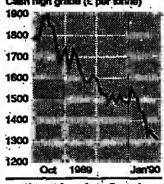
**ELF AQUITAINE**, the French state-controlled oil group, said it would take a \$800m charge on Texasgulf, its US fertilisers subsidiary, dragging net profits last year down to an estimated FF17bn (\$1.12bn), less than the FF17.200 it recorded in 1988. Page 17

AIRBUS CONSORTIUM experi-enced production delays running at some \$180m because of the 12-week strike at British Aerospace BAe, said Michel Delebarre, French Transport Minister. However, the threat by Airbus partners to charge BAe \$40m for delays caused by the strike appears to have been lifted. Page 2

COPPER closed at a 17-month low of £1,301 a tonne as base metal prices declined across the board on the LME. Bearish

Copper

Cash high grade (£ per tonne)



sentiment largely reflected concern over unsettled world equity markets and a lack of fresh fundamental supportive factors. Page 28 .

DEUTSCHE BANK is taking advantage of the buoyancy of the German stock marked to seek DML66bn (\$990m) in a one-for-17 rights issue at

DM600 per share. Page 17 CBL the UK employers organisation, warned that Britain was on the edge of a recession and that unemployment would

rise. Page 8

SANYO ELECTRIC, the Japanese electronics group, made worldwide net profits of Y16.840n (\$117.6m) for the year to November. Page 21

LONDON TRADED Outions Market: Record trading vol-umes in the Footsie index cotion was a feature of an active session: High volume in the FT-SE was due in large measure to yesterday's expiry, but also to one trade of 37,000 contracts believed to have involved Bankers Trust.

MOODY'S Investors Service downgraded its assessments of Westpac Banking and the National Australia Bank (NAB). Page 22

JAPAN has relaxed rules on the opening of large new stores in the wake of international criticism of its tightly controlled retail distribution system. Page 5

FUJITSU, the Japanese electronics group, is likely to top the £400m investment origi-nally expected in its microchip manufacturing plant in north-east England at Newton Aycliffe, Country Durham.

**BOEING** has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48 day machinists' strike which drastically curtailed deliveries of new airliners.

BEAZER, the UK construction company, has made a £29m (\$47m) provision against its investment in Girvan, an Australian developer and contractor which collapsed with debts of A\$500m (\$398m). Page 17

### Gorbachev agrees to principle of German unification

By Mark Nicholson in Moscow

MR Mikhail Gorbachev, the acknowledgment of the pres-Soviet President, yesterday aures towards reunification Soviet President, yesterday made his most positive state-ment so far on German unificament so far on German unification, saying the principle of
unity between East and West
Germany was not in donbt.
The matter should, however,
be resolved responsibly and
"not in the streets." he said.
Mr Gorbachev'a remarks,
quoted by tha Soviet news
agency Tass, preceded a meeting with Mr Hans Modrow, the
Feet German Prims Minister East German Prims Minister, who flew to Moscow for talks with Mr Gorbachev and Mr

Nikolai Ryzhkov, the Soviet Prime Minister. Prime Minister.
In the past, the Soviet Union has stressed the obstacles to German unification. In a speech to the Communist Party Spectra to the Committee before Central Committee before Christmas, Mr Gorbachev said any discussion of the future of both Germanys must proceed from "the post-war realities." In particular, it had to take account of the 1975 Helsinki Accords, recognising post-war frontiers, and the responsibili-ties of the four victorious Sec-ond World War allies for Ger-

many and Berlin. He also warned the west against taking advantage of political turmoil in East Ger-many and said the Soviet Union would not allow harm to come to its Warsaw Pact ally.

After yesterday's meeting,
Mr Modrow told a news conference that Mr Gorbachev had not ruled out the possibility of reunification.

The East German Prime Minister also asserted the impor-tance of addressing unification in a broader European frame-

Tass quoted Mr Gorbachev as saying the question of unifi-cation "was not unexpected...In principle, no one puts it in In a clear a knowledge

of mounting pressure for Ger-man unity, expressed again by huge crowds in Leipzig on Monday, Mr Gorbachev said: Time is pressing on this process, giving dynamism to it." The course of recent events in East Germany and the Soviet Union demanded that

reflection," he said.

The Soviet leader urged that the question of unity be dealt with under European agreements on security, co-operation and arms reduction. In a further official Soviet

the issue be given "profound

yesterday, Pravda, the Communist Party newspaper, ran a report from its East Berlin correspondent saying that the matter had become a major political issue. The report said that the weekend agreement between the East German Gov-

enument and opposition parties to form a government of national unity had been declared as if from a fortress under siege."
Mr Modrow said yesterday it was vital that the East German Government shows it is serious about unification, because of the continued flood of refugees

Polish disquiet, Page 2; Editorial comment, Page 14; Bush may announce new troop cuts,

Gorbachev 'may quit as head of Party' An American television correspondent in Moscow

correspondent in Moscow quoted an informed source as saying that Mikhail Gorbachev is considering resigning as head of the Soviet Communist Party, Ranter reports from New York.

Steva Hurst, Moscow hureau chief of tha Cahle News Network, said the source told him Mr Gorba-

chev would try to hold on to the Soviet presidency.
Hurst quoted the source as

saying Mr Gorbachev had been depressed since Soviet forces stormed into the Azeri capital of Baku January 20 to put down ethnic unrest, as he would have preferred a political settlement.

### Bonn to press for new export rules

By David Goodhart in Bonn

WEST GERMANY is preparing a fresh assault on Western restrictions on the export of militarily sensitive technology to the east bloc, especially dig-ital telecommunications tech-

The Bonn Government argues that recent liberalisation moves by the US do not go nearly far enough in the light of recent political changes. A West German initiative will be presented to a special executive committee of the Co-ordinating Committee on Multilateral Export Controls (Cocom) which moniture such

(Cocom), which monitors such exports of potential strategic value to the east bloc, on Feb. rnary 14-15 in Paris. This initiative, which Bonn claims has the backing of all

the European members of Cocom, is likely to irritate the US which had a top level Cocom delegation in Bonn last The US believes that it has

been moving as fast as the uncertain political ontlook allows, particularly in machine tools and computers. Senior officials in Bonn say

the main dispute in Cocom between the US, the dominant and most conservative force in

tha organisation, and West Germany, which is pressing hardest for relaxation, has switched from machine tools to

Bonn believes that the whole eastern Europe and the Soviet Union should now be treated to the more relaxed "green line" restrictions which have applied to China since

This would mean the removal of all restrictions on the export of digital switching equipment to the East bloc, as well as mobile radio networks and civil satellite technology. Bonn also wants the removal of restrictions on technology transfer, thus allowing the e bloc countries to rebuild their telecommunications systems themselves using the latest to be 10 to 15 years behind the West in technology.

The West Germans argue that a proper telecommunciations infrastructure is an important precondition of ecoinvestment. However, the US is concerned about potential mili-Continued on Page 16

Editorial comment, Page 20

#### Chances of recession in US have fallen says Greenspan

By Peter Riddell, US Editor, in Washington

THE current US economic slowdown is probably only a temporary pause in continued expansion, with a less than 50 per cent risk of recession, Mr Alan Greenspan, chairman of the US Federal Reserve,

suggested yesterday.

In a detailed analysis of the outlook for the US economy, Mr Greenspan said the chances of a recession developing within the next six months had declined since last spring. However, he warned that the risk was not "negligible" and thought that there would not be "a clear fix until well into tha spring months" about whether the economy was out of the woods.

He described the current inflation rate of 4.6 per cent as "unacceptable" and said "inflation at this stage is the great est threat of recession."

While tha underlying cost

structure had not accelerated, it had not decelerated either. He thought there had been some modest increase in inflationary expectations, both in the US and worldwide.

Mr Greenspan's comments indicate no change in the Fed's caution about a further cut in interest rates ahead of next week's meeting of its policy-making Federal Open Market Committee.

While playing down recent reports of Administration pres-sure on the Fed to reduce interst rates, Mr Gree ted he was being told privately by White House advisers that interest rates could be lower. He said recent public calls by Mr Marlin Fitzwater, the White House press secretary, for a

The bulk of Mr Greenspan's testimony to the Joint Economic Committee of Congress was about the current state of the US economy following last Friday's figures which pointed to a marked slowdown in the fourth quarter. While acknowledging that

the Fed must stay alert to the possibility of a more wide-spread downturn, he said, such imbalances and dislocations as we see in the economy today probably do not suggest anything more than a tempo-rary hesitation in the continuing expansion of the economy. He noted two "probabilityof-recession" measures linked to the index of leading indica-tors which suggested that the Continued on Page 16 US capital gains tax ent



South African riot policeman grabs protester in yester-day's demonstration against rebel English cricket tour

### South African protest routed

By Patti Waldmelr in Johannesburg

SOUTH AFRICAN police fired rubher bullets and tear gas at blacks demonstrating against a rebel English cricket tour yesterday, further damaging the country's international image and increasing domestic ten-

The six-week tour by the English cricketers, which began last week, is proving a began last week, is proving a serious embarrassment for Pre-toria, with international media coverage highlighting consider-able brutality by police in supable brutanty by police in sup-pressing anti-tour demonstra-tions. The team is defying an international sports boycott.

Organisers of yesterday's protest-claim that 30 people were injured when police pre-vented blacks from leaving the Manganne township near

Manganng township near Bloemfontein to attend a demonstration outside the sports stadium, where the English side was facing South African university cricketers.

Witnesses said black youths threw stones and set up burning harricades when their way was blocked by police, who said the demonstration was an

illegal gathering.
Polica responded with tear gas, rubber bullets and baton charges, and arrested 45 peo-

ple. A demonstration later in the day, for which police had granted permission, passed off without incident.

The protests come at a time of growing unrest in South Africa. In the past two weeks, police and protesters have clashed in Cape Town after a protest over inadequate black education, and in Kimberley following an anti-tour demonstration

Yesterday police also used tear gas to halt a protest led by Rev Allan Boesak, a leading anti-apartheid campaigner, et a agnatter camp outside Cape

Town. Further clashes seem possi-ble today and Friday, when the Mass Democratic Movement (MDM), the country's largest anti-apartheid coalition. plans marches in Cape Town. The MDM is taking an increasingly confrontational line, refusing to seek magisterial permission for the marches, one of which will mark the official opening of parliament on Friday.

Yesterday's police action in Bloemfontein contrasted sharply with President F.W. de Klerk'a recent instructions to police to abandon what he Continued on Page 16

### For they shall inherit the earth (and the mortgage)

JAPAN'S future generations will soon be able to inherit more than family wealth. They will also be able to take on their grandparents' mort-

In a country where house prices are so high that many workers have mortgages of seven times their salaries, a leading finance corporation is offering 100-year loans - repayable over three or, in some

cases, four generations.

Nippon Housing Loan Company, the largest specialist housing finance company in Japan, said that the loan would be suitable for families who could otherwise not afford a home and for investors who wanted to reduce the inheritance tax imposed on

Moscow prepares for a Mac

attack in Pushkin Square

Three years ago, another finance corporation hegan offering 50-year loans, which could be passed down to a second generation of home loan repayers, and the Nihon Mort-gage Corporation put together a "99-year" loan package in November 1988. But the 100year loan is believed to be the longest of its kind for ordinary

home buyers.

Mr Reiji Yasui, deputy chief
of planning at Nippon Housing, said that the loans would probably be most popular among prospective buyers in the larger cities, anch as Tokyo and Osaka, where land prices are highest. Last year, land prices rose

28.7 per cent in Japanese cities after national rises of 22.6 per cent in 1988 and 57.5 per cent in 1987. A detached house of 230 square metres (about three bedrooms) one and a half

hours communting distance from central Tokyo costs some Y65m (\$445,205), while it is difficult to find a house for under \$350,450. Under the terms of the 100year loan, borrowers will pay interest at one percentage point higher than the prime rate, which is now 7.5 per cent

the standard housing loan interest rate is 7.83 per cent. The company said the interest rate will be revised every third year to take account of shifts in the prime rate.

A borrower may begin repaying principal as well as interest when the child reaches adulthood, or three generations may pay only interest, and then settle the principal by selling the land. Mr Yasui said that if the inheritor of the loan has no children, the terms ahould be

renegotiated.
"The loan is very flexible,"
Mr Yasui said. "It would suit
people who can't afford to huy land or people who have a lot of money and want to invest it in a condominium.

He said that single people were not be eligible for such a loan, which would cut inheritance taxes because outstanding interest payments can be claimed as "necessary costs" and claimed as a tax deduction, while depreciation charges could also be claimed.

The average life expectancy of a Japanese man is 75 years and of a women 81.

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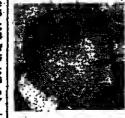
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After all, one should expect certain privileges when he has reached the top

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Financial Futures FT Law Report -

"Only for roubles" - a sign outside McDon-aid's latest hamburger estaurant - le e state ment of faith by theman who is nearing the end of a 14 year fight to build an outpost of the hamburger empire in Moscow. Page 14

New York closing \$1.6710 \$1.8830 (1.6785) DM2.8275 (2.62) FF79.61 (9.575) SF72.5075 (2.4925) Y242.25 (240.25) E index 88.9 (88.5) GOLD w York: Comex Feb S418.1

Chief price changes yesterday: Page 17

MARKETS

V145.00 London: DM1.6905 (1.6795) FFr5.71 (5.705) Y144,0 (143,15) **London:** \$419.25 (418.75) H SEA OIL (Argus) Brent 15-day Ma: \$19.90 (-0.05)

DOLLAR

New York DM1.8950

FFr5.7725

US hischtime r Fed Funds 84% 3-mo Treasury yield: 8.015% Long Bond:

1,853.0 (~10.9) FT-A All-Shere: 1,161.24 (-0.3%) New York closing DJ ind. Av. 2,549.24 (-10.14) S&P Comp 321.21 (-3.89) 37,215.87 (+41.97) LONDON MOKEY 3-month Interb closing 15% (18%) Liffe long gilt future: Mar 68%-68}2 (88}2)

STOCK INDICES

FT-SE 100:

2.322.0 (~8.5)

FT Ordinary:

and Born, from the ranks of which Roig and Rapanelli were chosen. That fell apart within 6 months; Mr Rapanelli's perma-nently fixed smile froze as be

watched Argentina's currency, the austral, fall from an official rate of 650 to the dollar to 1,900

within days last December.
In troubled times it is perhaps a natural instinct to run

bome, which is precisely what President Menem did following

the fall of the house of Rapa-nelli. The new Economy Minis-ter-still in place-is Mr Menem'e old economic over-seer from La Rioja, the poor province poorly governed by

### Menem's Argentine shuffle and reshuffle

Gary Mead looks at the latest round of ministerial musical chairs in Buenos Aires

is becoming as intrinsic to Argentine politics as beef is to Argentine diets. Yesterday's resignation of Mr Juan Bautista Yofre, as head of SIDE, Argentina's intelligence service, is just the latest in a growing line of abrupt departures by senior government

Although Mr Yofre's depar-ture has been in the air for more than a week, it appears to be unrelated to the discovery of hidden microphones all through the official residence of Presideot Carlos Menem.

Nevertheless, in less than seven months, President Carlos Menem has lost half of his origmal team. Such a disconcerting flurry of comings and goings, combined with an accelerating series of economic emergency plans, suggests that his admin-istration is facing considerable

Perhaps the most alarming of the post-Christmas resigna-tions was that of Mr Italo Argentino Luder as Defence Minister. Mr Luder eppears to have resigned because General Isidro Caceres, the army chief of staff, snubbed him by failing to lovite him to a dinner attended by President Menem and cabinet members.

Mr Luder bas been replaced by Mr Humberto Romero, who qualified as a surgeon but later took to professional Peronist politics. Mr Romero was appointed Mr Luder'e eecond in command at Defence when Mr Meoem took office as President on July 8 last year. But Mr Romero resigned just over



Ministers since July 1989. Mr Miguel Roig, the chain-smoking first incumbent, died one month later, a casualty of his chief's determination to bolster Gen Caceres against army dissidents led by ex-Colo-nel Mohamed Ali Seineldin. following a heart attack after one week in office. His successor, Mr Nestor Rapanelli, survived the accusations of a Mr Romern takes a more favourable view of the nation-alist aspirations of Mr Seinel-Veneznelan magistrate of shady financial dealings dur-ing his period at the helm of a din, who is himself the infor-mal president of Gen Manuel company in Venezuela, only to fall last December as confi-Noriega's fan-club. Other ministers have come and gone, pausing just long enough to change office namedence ebbed from his plans like

nlates. The turnrounds at the Ministry of Economy and the

Ceotral Bank still bold the

record. Argentina is now into its third string of Economy

President Menem had tried to forge a grand alliance with Latin America's biggest multi-national, grain-trading Bunge

the last notes of a midnight

last July when he became president. Mr Erman Antonio Gonzalez took over Argentina'a economy on December 15, having already moved twice within the Menem government.

His first post was as vice-president of the central bank. Mr Javier Gonzalez Fraga, Mr Egidio Ianella, and Mr Rodolfo Rossi have held the governorship of the central bank since July 1989; Mr Enrique Folcini has just taken

over.
Mr Gonzalez's stint in the second rank of the central bank was followed by promotion to Minister of Health and Social Welfare, a post now occupied by Mr Eduardo Bauza (wastiously Interior Minister). (previously Interior Minister). One of Mr Gonzalez's first acts

One of Mr Gonzalez's first acts was to expropriate all short-term bank deposits over 1m australs (about \$500 at current exchange rates).

The factionalism within the Peronist government confirms the worst suspicions which many had when Mr Menem won the presidency last May. At a time when the country's are as dim economic prospects are as dim as at any time for many years, Argentina can ill-afford the Argentina can ill-afford the squabhlings and place-seeking which have traditionally prevented the country from realising its potential. President Menem may increasingly be surrounded by figures neither he nor the country can trust, but he himself still euffers from a familiar Argentine affliction, the notion that shuf-fling personalities is a substi-tute for developing policies.

### IMF team unlikely to grant pleas for more time

By Gary Mead in Buenos Aires

THE OLD IDEA that "a sunny day is a Peronist day" is looking a little tarmished. As temperatures have soared to a record-breaking 37 degrees centigrade, Precident Carlos Menem's neo-Peronist government has wilted.

February begins with the International Monetary Fund, which currently has a team in Buenos Aires, raking over the figures of a collapsed letter of figures of a collapsed letter of intent signed ecarcely four months ago. If the IMF's principle of conditionality is to avoid another dent, it must surely return to Washington with a thumbs-down for the current loan arrangement for Argentina

The terms of the IMF's latest arrangement with Argentina - a debtor which has avoided all interest payments on its \$60hn foreign debt since April 1988 - set targets which Argentina now has no hope of meeting in 1990. The Argentina government is pleading for a waiver, in order to obtain the second tranche (worth \$230mm) of the \$1.4bm loan.

But the IMF must be uncom-

fortably aware that if Argen-tina is let off the hook, many other similarly recidivist recip-ients of IMF handouts will take note and act accordingly.

1990; a reduction of the fiscal deficit to 1:25 per cent of gross domestic product and growth of 5 per cent. With inflation likely to be in excess of 60 per cent in January alone, the fiscal deficit still an unbridged chasm, and a domestic recession of unprecedented levels in full swing, October 1989's letter of intent has been torn to shreds.

In the third week of January the government's attempt to hold down wage increases collapsed when public and private sector unions signed deals giving increases of between 100 and 170 percent.

The finger of blame can hardly be pointed in any direction other than the government, and President Menem himself. Rather than obey his own dictates of last July when he promised "surgery without anaesthetic" he has followed the line of previous governthe line of previous govern-ments. It has printed money to cover government expenditure and has let tax avoidance con-tinue unabated.

Thus Mr Rodolfo Rossi-ap-pointed central bank governor

The Menem government pledged itself to inflation of no more than 15 per cent during 1990; a reduction of the fiscal deficit to 1.25 per cent of the fiscal deficit to 1.25 per January - came in with the usual flourishing promise of "no more printing of money."

On January 17 the central bank, then still under Mr Rossi, officially admitted to the

Jap iirl

Rossi, officially admitted to the printing of an additional ibn australs (current exchange rate 1800 australs = \$1). A serious falter in economic policy was made worse by President Menem when the next day be denied that the central bank had printed the new notes desired. had printed the new notes de-spite the fact that the admis-sion was made by Mr Rossi

The printing of increasingly worthless notes was made necessary by the government's inability to say no to hard

pressed trade unions.
In the third week of January
the government's attempt to
hold down wage increases
exploded when public and private sector unions of all types signed deals giving increases of between 100 and 170 per cent — to he renegotiated in February in the light of the latest infla-tion figures. What is depress-ing for many ordinary workers is that even such mamoth settlements still leave them far behind 1989's accumulated behind 1989's accumulated inflation of almost 5,000 per

### Nicaragua amnesty for Contras

NICARAGUAN government is to grant amnesty to all the remaining Contra prisoners in its jails following an agreement made on Monday evening between Pres-ident Ortega and local Catholic

In return President Ortega called on the US and Honduran governments to facilitate the release of prisoners held in the Contra camps in Honduras and to accelerate the Contras' demobilisation in accordance with the Central American

peace agreements.
Some 1,090 prisoners will benefit from the total amnesty, including 39 ex-National Guard officers of the regime overthrown in 1979 who were not included in a partial amnesty last year. The 39 were found guilty of serious human rights

crimes during the civil war which culminated in the 1979 revolution. Both the Contra leadership and the opposition alliance, UNO, have made repeated calls upon the government for a total amnesty as a confidence-building measure.

In recent weeks a number of prominent Contra leaders have returned to Nicaragua to participate in the electoral pro-

President Ortega had said previously that the total amnesty would only be made when the 12,000 strong Contra force had been disbanded. After suspending a 19-month pulletters of the contraction of the con unilateral ceasefire last November he then softened his line, proposing a 50 per cent demobilisation in return for the amnesty, which was rejected by the Contras. Then

last week he said that all the Contra prisoners would be released if the ruling Sandinista party wins next month's elections. The concession made on

Monday appears to be in response to a recent Contra offer to suspend its military operations until after the elections. An increase in Contra military activity led to the suspension of the government's 19 month ceasefire.

The government has not responded directly to the Contra offer, saying only that the Contras should be dishanding instead of offering a ceasefire. The amnesty measure though will place the onus on the Con-tras and their US backers to respect the electoral process. General elections will be held on February 25.



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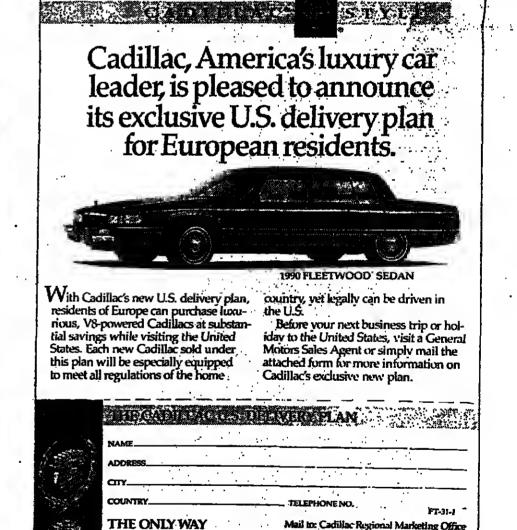
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#### **AMERICAN NEWS**

domestic interest rates earlier this month will not be sus-

The tumble in the Canadian

dollar caused by the relatively small fall in interest rates re-

inforces a widely-held view that the Bank of Canada's watchword is likely to be cau-

tion. The bank's governor, Mr
John Crow, told a parliamentary committee earlier this
week that rates "rates have to
be reduced in a reasonable and

### Californian insurers win court victory

By Patrick Cockburn

haum

INSURANCE companies in California have won a big vic-tory this week in their battle with consumers organisations seeking to cut motor insurance rates. The state Supreme Court in San Francisco has decided to allow insurers to refuse to renew policies and withdraw from the state.

The court rejected, in a 43 decision, the case of insurance commissioner Roxani Gillespie that four companies belonging to Travelers Corporation could not leave the state without ensuring cover for policy hold-

Since a majority of Calif-ornia voters backed Proposition 103, cutting the cost and increasing availability of insur-ance, in a ballot in 1988 insurance companies have fought in the courts to limit the initia-

Travelers and other insur-Travelers and other insur-ance companies have threat-ened to pull out of California because they face big under-writing losses as a result of Proposition 103. Overall, how-ever, insurers are unlikely to abanden California where property/casualty premiums total \$30hm a year.

But the court decision, by opening up the option of total withdrawal, provides ammuni-tion for insurers attending hearings before Judge William Fernandez at San Bruno, near San Francisco, which are to decide a fair rate of return for insurance companies in California. Last May the state Supreme Court upheld most of the provisions of 103 but said insurance companies must receive a fair rate of return

The state Department of Insurance, criticised for falling to implement 103, has promised to produce a ruling on premiums to be paid by consumers within the next month.

According to the court decision: "Proposition 103 does not prevent an insurer from dis-continuing its California busi-ness." In dissent Justice Allen Broussard argued that Travelers' firms should seek the commissionsr's approval before

withdrawing.

He wrote: Proposition 103 was not enacted to make it easy for insurers to terminate coverage, but to make insur-ance more available to Californians and to protect them against loss of coverage."

#### **US** capital gains tax cut 'likely'

By Peter Riddell

MR Nicholas Brady, US
Treasmy Secretary, yesterday
expressed confidence after
talks with congressmen that a
cut in capital gains tax would
be enacted this year, having
been hlocked last November
after a lengthy battle.
At a post-budget briefing, Mr
Brady argued that the new
savings package would hely lift
the low US national savings
rate towards historical and
international averages, while

international averages, while helping to increase productiv-

helping to increase productivity, lower interest rates and raise the US standard of living. Apart from a cut in capital gains tax, the package also includes a new family savings account with tax incentives for those making long-term savings and provision for individual retirement account participants to withdraw up to \$10,000 without penality, prior \$10,000 without penalty, prior to retirement, to buy a first-time home. This is provided the house costs no more than 110 per cent of the median price in the area.

Mr Brady's optimism about a

sustainable fashion.

The central bank responded cut in capital gains tax is justi-fied by comments from Demo-crats. They believe some verto the sudden weakness in the chreency by pashing short-term interest rates up. By Tuesday this week, the yield on three-month Treasury bills had climbed back at 12.3 sion will pass as part of a wider savings package of the kind proposed by the Administration and anyway being considered by Congress. per cent, compared with 11.9 per cent when the bank sent

its initial signal that it was ready to relax its interest-rate

A Numerpected plunge in the Canadian dollar has strengthened the view that an abrupt fall in However, economists remain virtually nnanimons that three-year period of high interest rates is over. According to Mr Crow, "we are doing our The drop in rates, which at one point narrowed the gap between US and Canadian hest to hring down interest rates.

short-term Treasury bill yields from 430 hasis points (hun-dredths of a percentage point) to about 330 points, pushed the Still, economists only differ on how dollar down by almost three US cents, a far higger drop than foreign exchange traders had expected, or than the Bank far and how fast rates will fall of Canada apparently wanted. The dollar has traded lower than 84 US cents in the past

Where they differ is on how far and how fast interest rates will now fail. Toronto Dominion Bank's economics department expects rates to coma down by "a couple of hundred" basis points by mid-year. On the other hand, the Conference Board of Canada forecasts that banks' prime rate will be 12.75 per cent in December, not much lower than the present

The economy is showing clear signs of slowing, with some key sectors, such as motor vehicle and newsprint manufacturers, heading for the doldrums. There is encouraging news

on the inflation front, which has been the Bank of Canada's main concern since 1987. The consumer price index fell in

December for the first time in seven years. Seasonally-adjusted prices rose by an ann-ualised 4 per ceot in the final three months of 1989, well below the 5.2 per cent rate for the year as a whole. The central bank remains

Canada puts brakes on interest rates fall

Dollar plunge brings caution to easing up on inflation fight, writes Bernard Simon

The central bank remains concerned that a steep drop in interest rates would raise the threat of fresh inflationary pressures. If the spread between US and Canadian rates narrows further, selling pressure on the dollar is bound to increase. ScotiaMcLeod, the Toronto securities firm, esti-Toronto securities firm, esti-mates that without central bank intervention, the dollar would drop to 78 US cents if the interest rate gap narrowed to less than 300 basis points. With imports making up

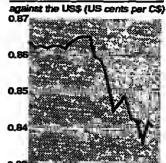
about a third of the consumer price index basket, a weak cur-rency would have a significant inflationary impact. The Con-ference Board's chief economist, Mr Jim Frank, estimates that an average exchange rate of 82 US cents this year would drive the inflation rate up from 4.9pc to 6.1pc. Ottawa can cushion the dol-

lar's fall for some time by using some of its vast foreign exchange reserves, which have quadrupled to mors than US\$16bn in the past three

years. The spectre of accelerating inflation has by no means van-ished, despite the encouraging

Last year was the worst year for inflation since 1983. And there is little hope of a marked easing in price pressures over the next year, even though business activity is likely to slow further. (Many economists are predicting a short recession either late this year

Canadian \$



or in 1991.) Mr Leo de Bever, chief economist at Crown Life Insurance, expects the CPI to move up by about 4.5 per cent this year and by as much as 6 per cent in

The January 1990 CPI figure is unlikely to repeat Decamber's fall. Several federal and provincial taxes were raised at the beginning of the year, and food prices have risen sharply in the wake of December's abnormally cold weather.

A longer-term threat comes from demands for hefty wage increases, the very problem that prompted the Bank of Canada to launch its unusually independent interest-rate policy three years ago.

With a slowdown looming unions are pushing for a bigger slice of the record corporeteprofits of the past few years. Several key labour contracts are due to be negotiated this year, notably those for the Big

Three motor manufacturers and the construction industry. Workers preparing their wage claims also bave their eye on the 7 per ceot Goods and Services Tax (GST), due to be introduced in January 1991 as a replacement for the existing manufacturers sales tax The government estimates that the GST will give a one-off 1.25 percentage point push to the CPI, although many economists think that is optimistic.

With an eye on the GST's inflationary potential, the authorities will probably want to hold prices down by eocour-aging competition. One way to do that will be to avoid any excessive stimulus to the econ-omy, which is one more reason why interest rates may oot be allowed to fall much further until there is clearer evidence that inflation has been beaten.

### Reagan diary called for in Contra case

THE JUDGE in the Iran-Contra case of ex-White House aide John Poindexter ordered for-mer President Ronald Beagan on Tuesday to turn over certain entries from his personal diaries to the defence, Reuter reports from Washington.

Defence lawyers have described Mr Reagan as one of their most important wit-nesses, claiming he would pro-vide crucial evidence showing that Mr Poindexter's actions had been known or approved. They issued a subpoena for his personal papers and records.

Judge Harold Greene, in a

16-page ruling, said Mr Reagan has until February 5 to give Mr Poindexter copies of all diary entries on six specific Iran-Contra categories and for 29 dates ranging from July 17 1985, until December 2 1986, right after the scandal became pub-

in history

Mr Reagan's diaries, if dis-closed, could shed new light on his role in the affair that caused the worst crisis during

his eight years in office. The scandal involved the sale of arms to Iran and the diversion of profits to US-backed Contra rebels in Nicaragua.
Judge Greene said it would be up to Mr Reagan to decide whether to assert executive

privilege claims in refusing to turn over the diary entries. If Mr Reagan claims execu-tive privilege, there would be a hearing in open court on whether the disries were material and crucial to Mr Poindex-

ter's defence.
But Judge Greene already
has reviewed the material in secret and it probably would be difficult for Mr Reegan and the Justice Department to change his mind and convince him-that diary entries were not-needed for Mr Poindexter's

### Inquiry agreed | Phones group

### unveils \$10m

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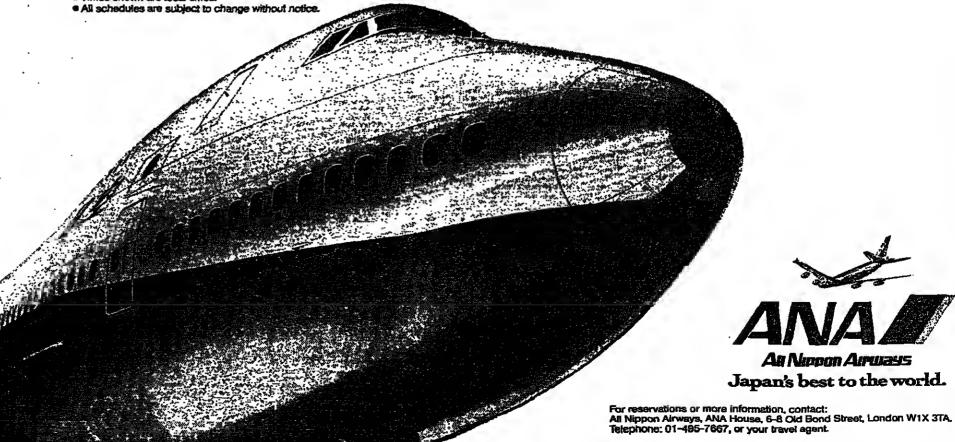
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### lic. Judge Greene skild the sub-poena seeks classified and highly sensitive information. into killings in

Mexican states

THE Mexican Government has agreed to an investigation into political killings in the states of Michoscan and Guerrero, writes Richard Johns in Mexico City.

In consenting to a hi-party inquiry, Mr Fernando Gutierrez Barrios, Minister of the Interior, made what amounts to a big concession after talks with leaders of the left-of-centre opposition Party of the tre opposition Party of the Democratic Revolution (PRD)

The Government had previ-ously dismissed the bloodshed as a local affair in two states as a local affair in two states with a tradition of violence but the incidents are potentially embarrassing with the administration of President Carlos Salinas de Gortari trying to project an image of modernity

abroad.

The PRD alleges that 52 of its activists have been murdered since the general election in July 1988 with the majority of the murders said to have been committed since the hotly disputed municipal polls on December 3 1989.

### education grant

US West, the Colorado-based telephone company quoted on Wall Street, yeaterday unveiled an unusual \$10m corporate grant to fund early-childhood education programmes, writes Alan Friedman in New York.

man in New York.

The grant, one of the largest commitments to education by a private sector US company, is part of a \$26m education hand-out approved by Mr Jack MacAllister, the phllanthropic 62-year-old chalrman of US West. Mr MacAllister, who announced the early-childhood plan in New York, said the aim was to help train the parents of 500,000 children in 14 western states living below the poverty line. He said the number of economically disadvantaged children who could benefit nationwide stood at 4.5m.

US West'a contribution,

US West's contribution, which will go to tax-exempt charities and some public schools, comes when the Bush Administration is being accused of devoting insufficient resources to education.

#### Falklands company urged to be more accountable By Robert Graham

THE FALKLANDS Islands Company, which dominates the British dependency's economy, should retain its current identity hat be made more accountable to the islands and become more involved in new business prospects such as mineral exploitation.

These are some of the conclusions contained in a consultant's report company, Anglo United, the mining and fuel distribution group.

United, the mining and fuel distribution group.

The report follows Anglo United's takeover last August of Coalite the FIC's traditional owner. "We are pleased that it confirms the direction in which we already see the company heading and we certainly do not intend to dispose of it", Anglo United said yesterday.

The report, prepared hy Environmental Resources, suggests the company must continue to balance its business development with the islanders' sensitivities over its con-

ers' sensitivities over its con-trolling presence in so many

The FIC, for example, controls 27 per cent of the land and 32 per cent of the wool produced on the island, 50 per produced on the Island, 50 per cent of wool externally mar-keted; 75 per cent of shipping agency business and control of coastal shipping plus 80 per cent of non-military cargo between the UK and the Falk-lands; and 70-85 per cent of

lands; and 70-85 per cent of retailing.

To ensure local interests are heeded, the report suggests greater openness in the company's affairs, a resident chief suscritive (already implemented) and a degree of local equity participation.

On the development front, the report urges the undertaking of a comprehensive mineral survey of FIC-owned land. Anglo United appears more positive about developing FIC in the light of improved Anglo-Argentine relations. The two countries could resume full diplomatic relations following the next rounds of talks between the two sides next month in Madrid.

#### **WORLD TRADE NEWS**

### Machinery sales to East Germany 'likely to triple'

By David Marsh in Bonn

WEST GERMAN mechanical engineering companies are likely to triple sales to East Germany in the next two or three years, to an annual total of DM5bn (£1.8bn) to DM6bn, as Industrial co-operation between the two German

states gains ground.

This is the forecast of Mr Raimund Hörth, an expert on eastern European business at the German Machinery and Plant Manufacturers' Association (VDMA).

Mr Hörth estimates that West German machinery man-ufacturers, which delivered roughly DML8bn-2bn worth of equipment to East Germany last year, will share in a likely investment hoom after a new government is established in the March elections. "I believe deliveries will he at least DM5bn-6hm by 1991-92," Mr

Hörth said.

Other industry observers believe his prediction is overoptimistic, in view of the long delivery times – around a year – for even standard pieces of West German machinery.

But he pointed out that West German engineering compa-

German engineering compa-nies were likely to purchase components and sub-sections from abroad to meet demand in East Germany if re-equipment there gained momentum. Envi-ronmental technology projects as well as Volkswagen's plan for a DM5bn East German car joint venture were likely to bring large-scale orders for German machinery sub-contractors. Mr Horth added.

Machine-tool makers were also likely to be first to receive orders for modernising East ermany's industrial fabric.

Although West Germany machinery makers bave in the past criticised export control restrictions for dampening East bloc business, Mr Hörth hoped the rules policed hy Cocom, which vets technology exports to the East Bloc, would soon be made more flexible. Tha West German machin-

ery sector is made np over-whelmingly of small and medi-nm-sized companies, with roughly 90 per cent of VDMA membership made up of com-panies with fewer than 500

employees.

Ahout 400 West German machinery and plant manufacture of the state of t wachinery and pisht manufac-turers were started np after World War II by East Germans who fled to the West or had had their businesses confis-

The VDMA reckons that the East German machinery sector could soon revert to the industry's traditional small husiness structure if the giant state-owned Kombinat companies are slimmed down and split up under future restructuring

#### Japan vehicle exports drop by 3.6% to 5.9m

JAPAN'S vehicle exports fell 3.6 per cent to 5.9m in 1989, from a year earlier, and are likely to continue dropping this year, an official of the Japan Automobile Manufacturers Association (JAMA) said yesterday, Renter reports from Tokyo. Industry analysts attributed

the fall to weak demand in the US and strong Japanese domes-tic demand, which diverted some production away from exports. Another reason was rising output by foreign subsidiaries of Japanese carmakers. It was the fourth successive

annual drop from a peak of 6.7m cars, trucks and buses in 1985. Japan is the world's larg-

est vehicle exporter, "Japanese vehicle exports will be fiat at best in calendar 1990," the JAMA official said, adding that the industry expected US sales to be poor this year.

Total vehicle exports to the US fell 9.9 per cent from a year earlier to 2.4m in 1989, while car exports to the US dropped

5.2 per cent to 1.9m.
Vehicle exports to the European Community rose 2 per cent to 1.2m in 1989, hut growth bas been moderate because of the monitoring sys-tem imposed by the EC.

A Japanese research insti-tute predicted Japan's vehicle

exports would fall to about 5.8m in 1990.

#### Bill seeks to give US banks a fair deal abroad

By Nancy Dunna in Washington

THE chairman and leading Republican on the Senate Banking Committee have joined forces behind legisla-

joined forces bening legisla-tion requiring reciprocal treat-ment for American hanks seeking markets abroad. Targeted particularly towards Japan, the legislation has the hacking of Senator Donald Riegle, chairman of the Senate Banking Committee, Senator Jake Garn, the senior Republican, and a hipartisan group of seven

other senators.
The bill, entitled the Fair Trade in Financial Services Trade in Financial Services
Act, requires the US Treasury
to negotiate equal treatment
for US banks overseas. It permits US banking and securities regulators to turn down
applications for regulatory
approval for expanding activities filed by foreign banks and
securities companies of countries found to be discriminating against American banks.

ing against American banks. Such rejections would not force foreign financial compa-nies to shrink their existing operations, but it would limit

their future expansion.

In a statement on the Senate floor, Senator Riegle expressed alarm that foreign banks now control over one quarter of all banking assets booked in the US. Japanese banks have 14
per cent of such assets, and in
California, 25 per cent.
In contrast, the sbare of
banking assets held by Ameri-

can banks, like other foreign institutions, has been declin-ing in Japan. The US share of the Japanese market is now 1

per cent.

O Japan's central bank yesterday warned Japanese companies that increasing their overseas investment might cause friction with other nations, Reuter reports.

The Bank of Japan said in a quarterly economic study that foreign investment by Japa-nese corporations had been increasing rapidly.
"Such trends, if they proliferated, could endanger the

free trade system, thereby hav-ing negative implications for the world economy," it said. A string of recent Japanese acquisitions in the US has sparked calls among some US lawmakers for curbs on foreign investment in America.

### Japanese bend on contract barriers

US sees the door slowly opening to foreign bidders

HE Japanese construction market has begun to show signs of yield-ing to US pressure that it open its bidding processes to foreign contractors

As a number of deadlines approach for US retaliation, movement has begun on several fronts which indicate that the Japanese have acknowledged that the US is serious in its demands for the market-

They are responding, although not as rapidly as we would like," said Senator Frank Murkowski, the Alaska Republican who has taken the lead in Congress on the issue. "But it is a crawl before-youwalk-before-yon-run situation. We're encouraged with prog-

Late last year, Mrs Carla Hills, the US Trade Representa-tive, said that Japan had "unreasonable" trade barriers in construction services, hut she delayed any retaliation until May on the grounds of

ress because we've come from

the progress thus far.

The US and Japan have a two-year construction market-opening agreement ending in May, which thus far has achieved disappointing results in dollar terms.

US companies, promised access to bidding on 14 major projects, have won contracts worth a mere \$200m.
The Japanese say American companies bave contracts

worth about \$250m on other The US disputes the details - insisting that the figure includes Otis elevators and

THE Polish Government has been warned industry will suf-

fer widespread redundancies

and even factory closures if it goes ahead with plans to limit exports this year to the Soviet

Union, Christopher Bobinski

reports from Warsaw.
The warnings came from representatives of over 50 exporters who beard earlier

total market estimated at almost \$500bn a year. Still, Senator Murkowski and US industry see promise in the Thirteen joint venture

agreements between US and Japanese companies.

• An easing of the licensing procedures which has yielded 14 licences for US companies,

up from zero.

Sixteen awards to US companies since the inception of the market-opening agreement, including a share for Bechtel in an \$800m Haneda airport

of Construction Contractors

In an appoint name an appoint terminal project.

The start of talks between the two industries, including an invitation to US companies to join the Japanese Federation of Construction Contractors (JFCC) and a personal commit-ment by the JFCC's chairman to help US firms gain more

market share.

Recent actions by the Japan Fair Trade Commission (JFTC) to pursue bid-rigging cases.

Senator Murkowski, who in December was invited to Japan by Mr Shozo Harada, the Japanese construction minister, last week hosted a meeting in Washington with Mr Hajime Sako, chairman of the JFCC, American industry representa-tives and US officials.

Mr Mark Chalpin, represent-ing the US International Engineering and Construction
Industries Council, said the
meeting went "reasonably
well" but insisted that Japanese companies still "manipulate the process so US firms can't get too much work The Japanese argued that of their estimated \$2.6bn share of

the US construction market,

Last month, Hungary, which has a mounting surplus in its soft currency trade with Com-

econ countries, announced it was unilaterally suspending deliveries, pending review of

export licences.

But Warsaw wants to limit its surplus with the Soviet

Union and stick to an agree-

ment to balance mutual trade

Poland warned not to limit exports

Murkowski - encouraged with progress after four slow years

erties purchased by Japanese money and developed in the US and another third included projects for Japanese compa-nies in the US. Mr Sako promised to pursue changes in

Japan's anti-monopoly laws.

This fits in neatly with Mrs
Hills' broadar Structural
Impediments Initiative, which
has been focusing on anti-competitive Japanese practices. An interim report outlining what actions Japan will take to rectify the US-Japanese trade imbalance is due out in April, and the "downpayment" Mrs Hills has demanded could include a promise to fortify the

A number of deadlines imposed by legislation will also keep the heat on during the next six months. By the end of April, the US Trade Representative and the Department of Transportation

must issue evaluations about access for US contractors to

with the International Mone-

tary Fund assumes Poland will

run a hard currency balance of-payments deficit limiting Western debt servicing to a

Trade protocols for last year set Polish deliveries to the Soviet Union at Rbs7.1hn, and

long-term plans foresaw a Rbs200m Polish trade surplus

this year. Deliveries over this igure will also put a strain on the budget, which, given the relatively low zloty-rouble exchange rate, is forced to subsidise sales to Comecon coun-

airport construction projects around the world.

A negative finding could shut the Japanese out of US airport projects.

In May, Mrs Hills must decide whether to retaliate under the earlier Section 301 complaint or to take the issue to the General Agreement on Tariffs and Trade, under a law requiring US access to foreign government procurement pro-

It all comes down to brinkmanship, Senator Murkowski said. "Let's face it, they look at us and they say: 'Are we being consistent or are we going to

He is fully aware of the power of the construction lobby and says: "We're dealing with politicians that operate on the squeaky wheel theory". the squeaky wheel theory. However, he hopes to counter it with US pressure on the Japanese government and appeals to the Japanese taxpayers that they are getting "ripped off by the process".

The senator saw the construction issue as just "the first wave" and predicted that banking would be the next trade issue to blow up.

"The California scene is 24 per cent controlled by Japa-nese banks. We don't have one bank in there. They have accu-mulated all this cash as a consequence of the balance of pay-

They are taking the cash and buying our assets. They're also financing them."

Both sides, he said, were playing under different rules. Both sides had to change.

Talks with Mr Konstantin

Katuszev, Soviet Trade Minister, on this year's as-yet-un-signed trade protocol showed. Moscow is ready to import an extra Rhsilohoworth of engi-

neering goods, while Polish exporters have tentative con-tracts for a further RbsL2bn-

Threatened exporters argue

that aside from the social costs, imposition of limits on exports will lose Poland impor-

tant Soviet market sectors as

Comecon switches to calculat-ing trade in convertible curren-

worth of deliveries.

#### charge into the pipeline before crossing the canal, is expected to boost demand. iran signs \$1.2bn refinery contract

Egypt pipeline

raised by 25%

RESPONDING to buoyancy on

the world oil market, the owners of the Sumed plpeline

which traverses Egypt from the Red Sea to the Mediterranean have raised transit fees by a quarter and announced to plans to boost capacity by 50

per cent.

Pipeline users paid an average \$2 per tonne last year. On January 1, the average cost rose to \$2.55.

The Arab Petroleum Pipelines Co, which runs the pipelina, says it is taking an increasing share of Gulf oil exports to Western Europe.

Company officials said

Company officials said

Company officials said Sumed pumped 54m metric tonnes last year. Deliveries via the Suez Canal were only 18m tonnes, while 36m tonnes of Gulf crude reached Europe by way of the Cape.

A discount scheme whereby supertabless unable to transfer

supertankers unable to transit fully laden will be able to dis-

transit fees

By Max Rodenbeck

in Cairo

per cent.

Iran has signed a contract with a consortium of Italian and Japanese firms to build a \$1.2bn oil refinery at the Gulf port of Bandar Abbas, Oil Min-ister Gholamreza Aqazadeh said yesterday, Reuter reports

from Nicosia. He said on Tehran Radio the contract with Chiyoda Corp. of Japan and Italy's state-owned Snamprogetti Spa envisaged the building of the refinery in

38 months.

Iranian television said the contract for the refinery, which would process 220,000 barrels per day (bpd) of heavy crude and 12,000 bpd of liquids from the nearby Sarkhoon gas complex, was signed on Monday.

#### Hospital contract for Turkish group

TURKEY's Pet Holding has been awarded a contract val-ned at \$70m (\$43.7m) to build a hospital for the Zibzah steel-works. in Novokuznetsky, Soviet Siberia, Jim Bodgener reports from Ankara.

The contract is due for com-pletion in three years after work can begin, probably in May. The Turkish company won the order against Chinese and Yugoslav hidders.

### this week that decisions are to be taken soon on withdrawal of export licences for at least in the present five-year plan which ends this year and puts off repayments of Poland's some engineering and electronics items in a hid to reduce Poland's trade surplus this Rbs6bn (\$9.73bn) deht until after 1991. At the same time, this year's economic programme agreed

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# large stores

JAPAN HAS started relaxing rules on the opening of large new stores in the wake of international criticism of its tightly-controlled retail distri-

bution system.

The Ministry of Trade and Industry is still studying proposed revisions to the rules, which would greatly reduce dslays, sometimes lasting 10 years, faced by companies planning to open new stores.

The proposals were due to
have been published last year
but have been postponed until after next month's election because of intense political interest in the the issue.

The ruling Liberal Demo-cratic Party, which is fighting to maintain its parliamentary majority, owes a great deal of its urban support to the efforts of small shopkeepers who stand to lose out if more large stores are allowed to open.

But in practice the number of permits granted for new stores has been increasing steadily since 1987. According to the Ministry for Interna-tional Trade and Industry, 163 new large stores of 1,500 sq metres or more in floor space opened in the six months from March to September 1989, the first six months of the Japanese financial year. That com-pares with 244 in the whole of the 1988-89 financial year, and

203 in 1987-88. The Japan Council for Shopping Centres, an industry club, says the numbers are likely to continue increasing. Japan now has 1,429 shopping centres, says the council, which have opened over the last 20 years. A further 1,500 are planned. "We hope it will take a hit less than 20 years for

PAKISTAN does not want war

with India over a Moslem rehelliou in Kashmir but

refuses to compromise over the

region, Mr Sahabzada Yaqub

Khan, Foreign Minister of Pakistan, said yesterday, Reu-ter reports from Islamahad.

He repeated Pakistan's denial of Indian claims that it

was responsible for fomenting a rebellion in Indian-controlled Kashmir, a denial which he

made strongly during a visit to

country and does not want

conflict or confrontation with

any other. We will not take

any step which can endanger peace in this region. However,

it is our right and duty effec-

tively to reject India's wrong

stand and baseless allega-

Pakistan could never bar-

gain away the right of Kash-miris to chose their own future. "Pakistan will not be

cowed by any pressure or threat and will continue sup-porting the Kashmir people's right of self-determination," he

Pakistan and India have

fought three wars since parti-tion and independence in 1947,

two of them over Kashmir

which is now divided with Pakistan controlling about a

third, China a small disputed

area and India the rest. Pakistan has been defeated by the

superior might of India's army

each time.
As part of the UN-negotiated

ceasefire in 1948 India agreed that the status of Kashmir should be the subject of a refer-

endum hot since then has

repeatedly refused to hold one.

More than 60 people have died in Indian Jammu and

India last week.

tions," he said.

Refusal to compromise over disputed state

to stir up Kashmir

Pakistan denies plans

these to open," said a spokes Japan's trading partners

hope that an increase in large stores will lead to an increase in sales of imported goods since big retailers are more willing to stock foreign prod-

However, not all the stores classified as large by the ministry are big enough to sell a wide range of goods. Many are no more than local food stores or small superparted that or small supermarkets stock-mg food and household goods. Mr Mike Allen, a retail sec-tor analyst at BZW, the stockbroking arm of Barciays Bank in Tokyo, said yesterday the rush of store openings mainly

involved chain stores Companies operating hig stores of 10,000 square metres and more in floor space were also expanding, but they were concentrating on increasing the size of existing stores or replacing small ones with large

ones, said Mr Allen. Under the law, small shop-keepers have the right to delay the opening of a new store in their area by repeatedly ques-tioning the would-be operator's

Miti's plan is to limit this consultation to a maximimum

of two years. But the impact of the change is likely to vary since the inter-pretation of the law differs between local anthorities. A spokesman for Ito Yokado said: "ideally, the law should be abolished to promote competition and bring down prices for consumers. But if the law is now managed properly we will be satisfied."

Tokyo bends on construction

Bhutto: low point

Pakistan in late 1983

their lowest point since Ms

Benazir Bhutto took power in

Politicians, diplomats and the press have begun discuss-

ing the possibility of another war as the level of rhetoric has

risen on both sides of the

divided mountain region neigh-

bouring China. Mr Inder Guiral, the Indian

Foreign Minister, has also said

that India does not want a war.

But India has also made plain

that it would do anything nec-

essary to prevent Kashmir

from seceding.
India asserts that Kashmir

decided to join the Indian

unioo after independencs, while Pakistan argues it is still

disputed territory which

should be allowed to choose through a plehiscite under United Nations auspices.

A UN observer force has

been deployed along the 870-mile ceasefire line since 1949

hnt can do little more than

watch as the Indian and Paki-stani troops trade small-arms

fire across the divide almost

## Japan to relax curbs on opening | Restless Moslem fringe worries Peking | China's leaders have an anxious eye on the minorities beyond the Great Wall, reports Colina MacDongall | USSR | KAZAKHSTAN | USSR | USSR | USSR | KAZAKHSTAN | USSR | USSR

HINA'S leaders, observing eth-nic tensions boiling over in the Soviet Union in the wake of glasnost, are anxiously considering their own restless minorities. Last week Wang Enmao, Peking's ageing hut bat-tle-hardened provincial governor in Xinjiang - Chinese Turkestan, as it was once called - ordered new mea-"counter-revolutionary rebellion".

This phrase is code for anti-party protest, but Peking has reason to fear more

than just pro-democracy demonstra-tions, for historically China has seen devastating Moslem revolts.

The party is already in trouble after the slaughter of demonstrators in Peking last summer and the current unpopular tough economic policy. But Chinese leaders are determined to prevent any copying of events in eastern Europe and the Soviet republics. Unlika the Soviet Union, where non-Russians amount to almost half the population, China's minorities number only around

7 per cent.
But these minorities live mainly in China's vast fringe areas to the west and north. These Moslems, Mongolians and other folk share traditional cultures with peoples across the frontier and have no love for the Chinese.

These areas are heavily militarised, ostensibly because of the long frontier with the Soviet bloc but as much for internal security. Xinjiang and Inner Mongolia in particular have strong eth-nic links with the nearby Soviet empire, and Xinjiang, criss-crossed since time immemorial by east-west trade routes and nomadic herdsmen, has a long tra-

and nomatic nerusinen, has a long tra-dition of shifting allegiances.

Xinjiang is home to about 13m peo-ple, of whom 6m or more are Turkish-speaking Moslems, the Uighurs. They form around half the population of the so-called Xinjiang Autonomous Region, and with the sprinkling of assorted also-Moslem Kazakhs, Tadjiks, Uzbeks and Tatars, they easily outnumber the ethnic Chinese. Other provinces and regions, notably Ganso and Ningxia, have substantial Moslem minorities, though these are this contraction. though these are Hui (the much-inter-married descendants of Arab traders) rather than tribespeople.
Historically the Chinese feared cen-

Thai dockers

strike over

By Roger Matthews in Bangkok

privatisation

DOCKERS in Thailand paralysed the nation's trade

yesterday in protest at govern-ment plans to allow private

companies to operate a new deep-water port being built on the eastern seaboard.

The action hy an estimated 4,500 workers belonging to six public sector unions is the lat-

est dispote to hit the govern-

ment's privatisation plans and

hinder the development of the

Government mediators

failed to persuade the men to

return to work, although efforts continued into the

evening as manufacturers warned of serions conse-

quences if the stoppage lasted

for more than a few days. The unions affiliated to the

Port Authority of Thailand are

demanding that the government immediately drops Its plan to invite bids later this

month from companies wish-

ing to operate the four com-

mercial terminals at Laem

It is hoped that the first ter-minal will be completed by the

end of this year, helping to ease the serious congestion at

Klong Toey Port in Bangkok which handles almost all the country's imports and exports. Ministers have stressed that privatisation is vital if Thalland is to sustain the impres-

sive growth rates of the past

decade, but have had only

modest success in changing

the attitudes of the unions and

often the managements of the 60 or so state-run enterprises.

Failure by Prime Minister Chatichai Choonhavan to set-

tral Asians - most notably Genghis Khan and his Mongol hordes - as bar-barians who swooped down periodically to grab the benefits of civilised life. The Great Wall was huilt to keep them out, unsuccessfully as countless invasions showed. Chinese armies have fought over Xinjiang innumerable times, perceiving a constant threat unless the ter-

ceiving a constant threat unless the territory was pacified under Chinese rule.
But only when the Chinese empire
was at its height has Peking genuinely
controlled tha region. After the First
World War it was ruled by warlords
loosely subject to China's Nationalist
government, and there was even a brief
independent Islamic "east Turkestan
Republic". But with the communist victory in 1949 Peking took control and tory in 1949 Peking took control, and has since attempted to develop the economy and solidity the ethnic Chi-

economy and solidify the ethnic Chinese presence.

In the middle 1950s Xinjiang's population was still only around 5m, of which 3.5m were Uighur, with ethnic Chinese oumbering only about 200,000. Since then the Chinese, who differ from all the central Asians in race, religion, language, customs and appearance, have poured in to work in the new industries. On top of those, untold numbers have come as misoners serving near-life have come as prisoners serving near-life sentences for political crimes.

oday, as In China's minority areas nationwide, the Chinese hold all the top jobs. The post1949 influx has wreaked havoc with the

In the Cultural Revolution the Uighurs, especially the religious, were cru-elly persecuted and their mosques destrayed. While some have heen rehuilt and a modest amount of cultural freedom encouraged, the Chinese are deeply unpopular. In recent years there have been regular outbreaks of inter-racial violence, with serious fighting in Kashgar in 1981 and 1988 and disturbances in other centres such as Yining, close to the Sino-Soviet border. Ooe epi-



sode last year shows clearly how militant the Moslem community in China can be. Last May, during the throes of the Peking democracy movement, a violent crowd stormed party and govern-meot headquarters in Urnmqi, Kin-jiang's capital, denouncing a Chinese hook which had explained mosque architecture and decoration in terms of sex. This protest was echoed round the country wherever there was a Moslem community, a warning to Peking that it

was oot immune to the tide of Islamic fundamentalism sweeping the world. Currently China's Inner Mongolian regioo is a less sensitive but perhaps ultimately as threatening a problem as Xinjiang. The oew and unexpected sight of Mongolians demanding a higger role in government across the border in the Mongolian People's Republic could

be seriously unsettling. Since 1924, when Soviet forces set up the communist regime, tha Mongolian People's Republic has been Moscow's most faithful satellite and for the 30 years of Sino-Soviet split, completely cut off from Inner Mongolia. With glas-nost, however, the Mongolians are coming out of their shell, travelling more and widening their trade and cultural contacts. This, plus the news from eastern Europe, precipitated the two pro-democracy demonstrations in Ulan Bator, Ironically the Mongolian population

mous Region, at 3m, outnumbers the Mongols in Outer Mongolia by 50 per cent. Like the Moslem peoples in Xinjiang, the Mongols suffered severely at the hands of ethnic Chinese in the Cultural Revolution.

in China's Inner Mongolian Autono

But despite its name Inner Mongolia has little autonomy. Prey to Chinese settlement for 200 years, today the Mongols are completely swamped, with eth-nic Chinese totalling about 15m. Realistically there is no chance of closer union with Moogols over the border or even of germine autonomy, but realism is oot always the arbiter in nationalist movements

At least China's most troubled ethnic area, Tihet, is unlikely to be directly affected by these erupting racial teosions, though it has the strongest claim of any to full independence. It has also battled the hardest for it, facing cruel repression from Peking's communists

with uprisings and guerrilla war. But despite cultural links to the Moogolians (at one tima the Dalai Lama was their spiritual patron) it is geo-graphically isolated. It has little in common with the Moslem world on its northern doorstep, Tibetans may find ways to put pressure on China internationally via the Dalai Lama, but Peking's main internal danger area as fall-out spreads from the effects of Soviet glasnost is likely to be Xinjiang.

employee says.

two weeks ago.

ran the small book and oews-

paper shop in the Commodore lobby, stayed for nearly three years after the botel was shut

calls him, abandoned his shop

Now the tall, thick-set 54-

year-old Armenian works as a

barman. He never smiles and

speaks slowly, as if each word costs him great effort. "I had a

nervous breakdown this year from the shelling, from being alooe," Mr Eddie says. "It was

an accumulation of the past 15 years. I thought about leaving hut unless you have mooey it

is very difficult. So I am stuck

#### Peking to draw dear Japanese credit

THE Bank of China, Peking's foreign trade bank, is to draw \$500m of a \$2bn credit line arranged with a group of 67
Japanese banks in July 1985, a
Japanese hanker said yesterday, Our Foreign Staff writes.
Approval for the Chinese

request was given on January 11, and China bas 90 days to withdraw the funds. Peking has not previously called on

"To use this credit. China must he critically sbort of reserves – the interest rate is very high compared with the loans they had negotiated previously." the banker said. The loan will be over 10 years, at a quarter par cent over Libor quarter par cent over Libor (London inter-haok offered rate) in the first six years and he per cent for the remainder. Jspan has made no new loans to China since the massacre of demonstrators in Peking last June, following the US and other western countries in imposing limited economic

#### Medals for Tibet suppression

China has given more than 400 medals to police and troops who suppressed demonstrations in Lhasa hy Tibetan separatists, according to reports from Peking, Our Foreign Staff

Calling the protests "revolts and riots", the Tibet Daily said they formed a serious political struggle aimed at splitting the

motherland, opposing the Communist Party and overthrowing the socialist system.

The paper reported that 323 "advanced individuals" and 92 "advanced groups" had been commended at a ceremony pre-sided over the Hu Jintao, the

region's party chief.
Since September 1987 there bave been three large demonstrations when troops opened fire oo unarmed crowds, the higgest was last March after which martial law was imposed.

#### Kuwait crackdown threatened

The war has chosen its vic-tims arbitrarily. The Coral Beach and Summerland hotels Crown Prince Sheik Saad al-Abdullah ai-Sahah, Kuwait's are thriving and a handful of Prime Minister, has threateoed others struggle on. Some of the Commodore staff have adapted, but others feel their lives have a crackdown oo pro-democracy rallies, AP reports from Knwait been ruined.
Mr Eddie Arzoumanian, who

Sheik Saad said the rallies threateoed to undermine Kuwait's security and sought to achieve goals beyood the restoration of the dissolved

parliament He said his Government has remained patieot with protest ers calling for the return of the 50-member parliament, which was dissolved in 1986. But some of those who took part in the rallies "turned out to have targets beyond the restoration of the parliamentary life," he

said. Sheik Saad was alluding to at least four rallies called by activists and former MPs in different areas of Kuwait.

#### Help for Tunisian flood victims

President Zine El Abidine Beo Ali pledged Dinars 445m (£294m) for relief work to help the victims of the worst floods to hit southern Tunisia since 1969, writes Francis Ghiles.

Monday night he said be sym-pathised with the victims for the late arrival of help but coodemned the violent protests which saw crowds in Sidi government huilding and set-ting cars on fire. Such demonencouraged by Moslem funda-mentalists.

The torrential rains, coming after two years of drought when 85 per cent of the country's cereal crop was lost, killed 30 people and destroyed or badly damaged nearly 40,000 homes, 11,000 greenhouses and 1,000 kilometres of roads. An estimated 22,000 heads of cattle and sheep were lost.

#### PLO condemns immigration wave Leaders of the Palestinian Lib-

eration Organisation yesterday condemned the planned settle-ment of Soviet Jews in Israel and pledged to launch a diplomatic initiative against the plan, writes our foreign staff.
"Settling 300,000 Soviet Jews
in the Arab occupied territories is a virtual declaration of
war," a PLO official said. Israel says that only a tiny propor-tion of all the Soviet immigrants, expected to total between 70,000 and 100,000 this year, end up in the Occupied Territories. It clearly does not count significant numbers going to areas annexed to Jeru-salem by Israel but even these do not account for a large pro-portion of the total.

The issue was ignited earlier this month when Mr Yitzhak Shamir, the Israeli Prime Minister, told supporters of his bardline Likud Party that a "big Israel" was needed to absorb the Soviet immigrants.

traditional ecocomy and way of life without much improving the standard of living. Centuries old irrigation systems were damaged irretrievably by dogmatic Chinese farm policies, deserti-fication has spread and nuclear tests st the Lop Nor site have contaminated

The hotel that hosted the press is no more, writes Lara Marlowe leaders. "The militias take, they don't give," a former hotel

End of an institution in W Beirut

NOTHER Lehanese institution disappeared this month. It was not a ministry or an elder states-man, but the last reminder of West Beirut's days as the press centre of the Middle East. On Friday morning last week, the former accountant of

the wrecked and pillaged Commodore Hotel wrote a dozen cheques for ahout Lilm pounds (\$1,120) each, the final hump sum payment to all but three of the botel's remaining employees. When the war is over, its Kuwaiti owners hope to turn the Commodore into a shopping centre.

From the start of the 1975 civil war until the June 1985 TWA hi-jacking, the Commodore housed up to 180 foreign journalists at a time. "We only had 150 rooms," says Mr Fouad Saleh, who was the hotel's manager. We often put two in one room. Some of them stayed for a year.

When his hotel guests were kidnapped, Mr Saleh used to make the rounds of the militias until he found them. Then pro-Iranian fundamentalists began taking journalists hostage and even Western governments could not retrieve them. The journalists stopped coming.
The Casbah underground

nightcluh and the first two floors of the Commodore now honse non-paying guests
- Syrian soldiers who man the check-point in Baalbek Street sleep in the looted rooms. They have turned the hotel into an army hillet with portraits of Syrian President Hafez al-Assad on the sandhsgs ontside and in the lohhy. The grimy hedroom walls are covered with magazine photos of pop stars. Shredded blue and green cur-

tains blow from the Commodore's broken windows. On the abandoned upper floors, the

Mr George Saadeh, a Christian leader, said yesterday he had resigned from President Elias Hrawi's government because it did not represent all the factions in Lebanon, AP reports from Beirut.

However, the Government said it had not received a written letter of resignation from him.

Mr Saadeh is leader of the right-wing Christian Phalange Party. His resignation would mean the loss of much of the government's Christian backing, weakening its ability to confront Gen Michel Aoun. Gen Aoun yesterday threatened to impose a power

blockade on Moslem West Beirut. The main power grid which provides Beirut with electricity is in the

He said he was considering ways of confronting financial blockade by Mr Hrawi's Government. The Central Bank has not transferred funds to cover salaries for civil servants in Gen Aoun's enclave for January.

wind bangs doors shut. "Do not disturh" signs still hang from the doorknobs. Cats and rats carry on their own war in the dank boiler room. The smell of unwashed latrines pervades the lohby where a pile of rotten potatoes lies below a tarnished hrass plaque record-ing the gratitude of Cairo journalists to the hotel's manage-ment in 1982.

"It makes me sad every time I walk in here," Mr Saleh says. "The journalists at the Commodore were like kids st summer camp, always joking. They drank a lot. They used to push each other in the pool with their clothes on Sometimes there were 30 or 40 people in tha pool at one time. The next day I'd have to clean it and there would he passports, watches, Amex cards and shoes at the bottom." Journalists who remember

the hotel's "goldan sge" say the rooms were often dirty, the toilets never flusbed properly and it was overpriced. But it offered two things that no other hotel in Beirut then proProtection had a high price, "We made a profit," Mr Saleh says. "But it all went to the Palestinians, then to Amal (the Shia moslem militia) and the PSP (Druze militia). We used to pay \$50,000 a month in protection mooey. And we had to feed all the militiamen. It was expensive hut we had no

All guests - incloding the Israelis who invaded in 1982 - were required to check their guns in at the reception.

its death agony since February 14 1987, the day Amal and PSP

vided: protection and reliable communications.

Sometimes there were 20 or 30 guns stacked up behind the counter, Kalashnikovs, Uzis, M-16s. Many times there were shootings in the lohhy, hnt no one ever got killed here," Mr Saleh says. The Commodore has been in

militias pillaged the hotel. Commodore fornitore and linen still show up around the city, hut no one ever requested payment from Nabih Berri or Walid Jumblatt, the militia

here. I don't know what the future holds." After the Valeotine's Day plunder by the militias two years ago, a British journalist offered \$150 for the return of his pet parrot, which lived in a cage in the Commodore lobby. The parrot used to frighten newcomers with its imitation of exploding artillery shells. The offer angered some of

the Commodore employees. "Nobody asked about the fami-lies of 65 staff who were fired," one of them says.

"At least a dozeo people showed up with parrots," says Mr Saleh. "Each time I would say "Tony accrut" (Tony, you bastard) and sing the opening hars of Beethoveo's 5th symphony. Our parrot would have whistled the rest of the theme. None of the parrots they brought was the right one."

#### the the stoppage rapidly would, however, intensify the strains within the governing coalition and prassure is likely to Kashmir state in the past week, plunging relations daily. Ohservers counted 600 Indian violations last year. The year before there were 240. mount for a compromise.

More foreign funds and less war are the only way reforms have any chance of paying off, writes an FT correspondent

fully ponder developments in Mozambique which has three years of - not altogether happy - experience under its

In 1987, when the economy was near the end of its tether, tha Government, advised by the International Monetary Fund and World Bank, introduced sweeping reforms designed to revive a market economy that had been all but abandooed when the Portu-guese fled their former colony

In the six years to 1986, gross domestic product fell 40 per cent, largely due to the escalating civil war between the Fre-limo Government and the tance (Renamo) rebels, but also as 11 years of Marxist eco-nomic policies took their toll. Exports fell by three-quarters, rebuild the market economy by replacing administrative con-trols with price incentives, restructuring agriculture, industry, banking and public enterprises and reviving that use of fiscal and monetary policy to carb inflation and stabilise tha balance of pay-

Interest rates were raised, price controls reduced and government spanding cut
though this has been difficult to achieve in a country where defance spanding absorbs 36 per cent of the budget and 10 per cent of GDP. The metical was massively devalued from 39 to the dollar three years ago to 830 today. three years ago to 830 today. Private firms were allowed to trade in sectors previously reserved for state corporations.

The programma has been a

cent of total imports. Even if this growth performance can be maintained, it will take a eneration to regain 1980 lev-Despite a reduced public sector deficit and tighter control of the money supply, the reforms have been enormously

inflationary, with prices surg-ing 160 per cent in 1987 and another 50 per cent in 1988. Last year inflation slowed to 30 per cent, but in so highly import-dependent an economy, the further currency devalua-tion, which is inevitable, must mean continued rapid infla-

repercussions of this have been vividly illustrated in the recent which the Renamo rehelleader, Mr Afonso Dhlakama, has claimed responsibility.

exports to respond. They fell 10 per cent last year to \$93m. compared with \$230m in 1982 and a low point of \$75m in the mid-1980s. Tha World Bank expects exports to more than double during the next four years, reaching \$210m by 1994, but this looks to be excessively optimistic in the light both of recent performance and the narrow export base, with prawns and casbew nuts accounting for two-thirds of the total.

In any event, the export con-tribution to the balance of pay-ments is no more than mar-ginal Mozambique earns more from invisibles - worker remittances and rail and port services - though the former are on a plateau and likely to remain so.

At the same time, the debt-service hurden is 275 per cent of exports of both goods and services and nearly one-fifth of

ments deficit, running at more than 51hn a year can be funded only by the combination of aid inflows and deht relief.

Because Mozambique's situation is unique, comparisons with other communist states

seeking to restructure their economies can be taken only so far. The binding constraint on economic recovery, not shared by Eastern European countries, is the scarcity of skills throughout the economy. No East European country has so undeveloped an infrastruc-ture, such low living standards and such heavy dependence on

exports. Furthermore, Mozamthat Eastern Europe can realis-

Until that is settled, recovery will remain a mirage. As it is, the fragile upswing is almost totally dependent oo aid inflows which, including debt relief, are projected by the World Bank at \$1.4bn a year over the next four years. Ironically, it is probable that Mozambique will be one of many African countries to suffer as aid funds are diverted to Europe, which makes progress towards ending the war more urgent than ever. But even if these aid levels could be attained they are more of a "working capital" character than developmental. They are keeping the economy afloat, but self-sustaining growth will remain elusive until President Joaquim Chissano and Mr Dhlakama can resolve their differences. This

### Aid switch to E Europe threatens Mozambique's recovery

the money supply was out of control, the currency was over-valued and inconvertibla, and daht payment arrears A disappointing, if hardly surprising, aspect of the pro-gramme has been the failure of Africa; Industrial ontput is GDP. The current account pay-HOSE advising East Mozambique Metical running at only half its 1980 levsls; 90 per cent of food European governments on the transition from a against the US doflar (Meticais/\$) grains are imported, while exports finance a mere 15 per centrally-planned economy to a market-oriented one might useapproached \$1bn.
The reformers set out to

partial success, with the econ-omy growing at 4.5 per cent a year since 1987 mainly due to increased food production and improved capacity utilisation in manufacturing.

Even so, per capita incomes, estimated at \$150, are among

the lowest in the world; infant mortality rates and life expec-tancy rank among the worst in

The social and political rash of strikes in Maputo for

options are further circumscribed since with such grinding poverty there is no scope for reducing consumption to boost savings and release resources for investment or bique is not going to attract inward investment on the scale

consideration ought to concentrate the negotiators' minds wonderfully when face-to-face tslks start, parhaps next

### Insurers suffer as | Clothing claims rise after year of disasters

protection taken out by insur-ers or multiple counting of

This was the first time the institute has published totals for premiums and claims.

The institute was also wor-

ried that both merchant ves-

sels and jet aircraft were becoming old and more likely to suffer loss.

Mr Parton said that at the time of Piper Alpha he had

expected premium rates to rise,

but overcapacity in the market had ensured that underwriters

continued to be squeezed between high claims and low

In aviation insurance he said the rate for aircraft hulls was 10 per cent of the 1986 level and liability rates little more

Despite last year's catastro-phes the and of year renewal

season has seen no end to the depression in premium rates.

Mr Trevor Scutts, past chair-man of the Joint Hull Commit-tee, said that the marine mar-

ket was going to get worse before it got better though pre-mium rates for oil rigs had

than 20 per cent.

some claims.

By Patrick Cockburn

UK INSURANCE companies, members of the Institute of London Underwriters, paid out £500m more in claims than they received in premiums in 1989 because of an unprecedented series of serious disasters coinciding with low insurance rates.

Gross claims totalled £2.1bn against £1.6bn in premiums income, the annual LU meetincome, the annual ILU meeting was told yesterday.

Mr John Parton, institute chairman, said 1989 had been a year of catastrophes.

Hurricane Hugo was expected to cost insurers \$4bn, the San Francisco earthquake almost \$1bn, the Exxon Valdez spillage over \$500m and the

These losses came after the \$1.5bn cost of the loss of the Piper Alpha platform in tha North Sea in 1988.

Phillips Petroleum refinery in Texas more than more than

The institute, which groups 118 companies providing half of all the marine, energy and aviation insurance placed in London, stressed that the fig-ures exaggerated final losses because they did not take into account either the reinsurance

company calls in the receiver

By Alice Rawsthom

THE slump in the clothing industry claimed another casualty yesterday when Paisley Hyer, which employs 2,400 peo-ple mainly in the north-east England and the east Mid-lands, called in the receiver.

Paisley, one of the main manufacturers of knitwear and women's wear for the Marks and Spencer retail group, is the second large UK clothing company to have gone under this week. The news of its receivership came only a day after that of the Response Group, which employs 4000 people. employs 4,000 people.

The condition of the clothing industry has become increasingly precarious in recent months. Many companies have been struggling against weak demand and poor profitability for over a year because of sluggish consumer spending and intense competition from

Paisley and Response both suffered from the downturn in the industry, but are trading profitably, albeit at a low level Their chief problem was that they could no longer cope with their high borrowings. The receiver, Arthur Ander-

son, hopes to find buyers for the Paisley companies.



Predicting success: Roger Poole hatls people power

The ambulance dispute

### Protesters attack Clarke's stand

By Raiph Atkins and John Gapper

THOUSANDS of protestors yesterday attended mass rallies at cities throughout Britain, in support of higher pay for ambulance crews. Unions estimated that mere then a million mated that more than a million of people took part in the proat rallies around Britain.

Speakers at the rallies criticised the stand of Mr Kenneth Clarke, Health Secretary, who dismissed the rallies as "pointless" and reiterated the Government that its time tay of action and reiterated the Government that it shows the Government that it had already lost the dispute.

Organisers said 20,000 people in Liverpool had attended a

higher pay in return for more productivity. He said "public-ity stunts" were irrelevant. The protests, led in London by Mr Roger Poole, the ambulance unions' chief negotiator, attracted thousands of workers

Mr Poole said the demonstra-tions had been "a massive show of people power." He said that the day of action had

rally, while 10,000 people joined a rally in Birmingham, and 5,000 joined rallies in Glasgow,

Covenity and Leeds.
Groups of workers said to have stopped work included 3,000 civil servants at Compa-3,000 civil servants at Companies House in Cardiff, 4,000 workers at two offshore yards in Teesside and miners at five pits in the Durham coalfield.

The Confederation of British Industry said the stoppage was "a limited gesture which does nothing to advance the search for a resolution of the dispute."

for a resolution of the dispute."

### CBI warns of recession and rise in unemployment

By Simon Holberton, Economics Staff

THE CONFEDERATION of British

THE CONFEDERATION OF BRISIS Industry, the UK employers organisation, yesterday warned that Britain was on the edge of a recession and that unemployment would rise.

The CBI's warning came with the publication of its quarterly industrial trends survey which showed that business confidence was at its lowest level since October 1980.

The survey further indicated that over the past four months that there had been no growth in manufacturing output. Businessmen were pessimistic about future orders and plan to cut investment spending this year.

The only encouraging aspect of tha survey was the sharp rise in optimism about exports. If the optimism is reflected in actual sales this would

mean that British companies have responded to the subdued growth out-look for the home market by seeking orders in foreign markets.

The CBI said companies had responded to the current straitened eco-

nomic conditions by cutting employ-ment and would continue to do so. Company profits, however, were being squeezed. Growth in the average unit cost of manufacturing was expec-

ted to rise in the coming four months at its highest rates since January 1982. A seasonal pick up in factory gate prices was also expected.
Mr David Wigglesworth, chairman of the Confederation's economic situation committee, said the economy was "poised on the edge of a recession". He added: "We just do not know whether it

is a slowdown or a recession."

The survey showed that manufacturing companies were planning to cut investment this year. In response to this the CBI was forecasting that growth in manufacturing investment in the first half of this year would be 4 per country on the same period in 1988. the first half of this year would be 4 per cent down on the same period in 1989.

Mr Wigglesworth said this was one of the most worrying of the survey's findings and renewed the CBI's call for Mr John Major, the Chancellor, to raise investment allowances to 40 per cent from 25 per cent in his March Budget. This would encourage investment and would not be infistionary, he said.

would not be inflationary, he said.

The Treasury said the low level of optimism was consistent with the econ-

omy slowing down.
In the City economists expressed dis-

appointment with the survey's findings on costs and prices and cast doubt over the interpretation of the survey's ques-tions about exports.

Mr Stephen Hannah, economist at NatWest Capital Markets, said the large

NatWest Capital Markets, said the large proportion of companies planning to increase prices in the New Year was disappointing. "It makes us a little bit edgy about inflation," he said.

Mr Bill Martin, economist at UBS Phillips & Drew, said the survey showed there had been some pain experienced but said there was "considerably more to come" when cash flow pressures forced companies to cut stocks. He added there was little correlation between expectations of exports and between expectations of exports and Lex. Page 16

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#### Fujitsu set to raise UK investment

By Alan Cane

INVESTMENT BY Politsu, the INVESTMENT BY Fajitsu, the Japanese electronics group, in its microchip manufacturing plant in north-east England at Newton Aycliffe, Country Durham, is likely to top the £400m originally anticipated, and the plant is expected to produce higher technology chips than it had planned for.

Chronic worldwide overno-

Chronic worldwide overpro-duction of semiconductor memory chips, which is forc-ing prices down to levels where significant losses for many semiconductor manufacturers seem inevitable, has turers seem inevitable, has prompted Fujitsu to scale down plans to build what would be currently the most technically advanced chips available in favour of a product even more advanced.

It is understood that work on the plant — which had been intended to produce one megahit and four megabit d Rams (read and write memory.

(read and write memory about six months while the company considered its options.

Mr Alan Roberts, chief executive of Sedgefield District Council, in whose area the plant will be built, said yester-day Fujitsu was going ahead with its investment although the project had changed. He said the transfer of the

land to Fujitsu had taken place and the company had submitted planning applications. which were now going through the approvals process.

While the exact type of chip
to be manufactured remains a
commercial secret, analysis
thought the likely outcome

was a combination of 16 megahit D-rams - the next genera-tion of memory technology not expected to be in volume production until the mid-1990s — and application-spe-cific integrated circuits (ASICs), custom chips pro-duced in small volumes to fit a particular customer's needs. The amouncement in April last year that Fujitsu had chosen County Durham as the site for its first fully integrated microchip manufacturing

facility in the European Com-munity was seen at the time as a considerable coup for the The plant, which attracted 230m in regional selective assistance, will eventually cre-ate some 1,500 jobs.

**OBITUARY** 

#### Sir Martin Wilkinson

SIR Martin Wilkinson, who did much to shape London's Stock Exchange before the unheavals of Big Bang in 1986, died last week at the age of 78. Sir Martin was the exchange's chairman from 1965-73, when the foundation for its activities over the part

for its activities over the next 13 years were laid. He oversaw the merger of the various stock exchanges in the UK and Republic of Ireland, which was completed in 1978 after 10 years of effort, making him the first chairman of the unified market. He was also chairman when the exchange moved to new premises, opened by the Queen Mother in 1972.

His term of office also saw the demise of several anachronistic practices. Women were admitted to membership of the exchange for the first time, and the requirement for members to be British was

#### IN BRIEF **Telephone** costs ahead of EC rivals

Residential telephone customers in the UK pay more for phone calls than their counterparts in the other three leading Western European economies, according to figures published yesterday by the Office of Telecommunications, the industry watchdog.
Britain's business telephone
users also fare worse than

those in France and West Ger-many, but rates are lower than those in Italy, Offel says.
Offel calculates the cost of a representative basket of ser-

vices in each country and compares it with a benchmark of 100 for the UK. The residential prices are: France 76, Italy 97, and West Germany 98. The business figures are France 83, West Germany 96 and Italy 120.

N Ireland split

Significant differences between Northern Ireland's Unionist parties about their campaign against the Anglo-Irish agree ment have emerged as British and Irish ministers prepared to

meet in London today.

An Ulster opinion poll showed 67 per cent of Ulster Unionists – regarded as the more moderate unionists – fa-vour ending the boycott on dealings with Northern Ireland Government ministers. That compared with only 36 per cent of the Democratic Unionists, led by the Rev Ian Paisley.

Rapid rise in M4

The final money supply figures for 1989, released yesterday by the Bank of England, confirm the broad money measure M4 rose rapidly last year.

The year-on-year increase in M4, which includes hank and building society lending, was 18.1 per cent. The seasonally-adjusted figure for December showed a sharp rise in bank lending to £10.5bn in December, from £4.5bn in Newspaper. ber, from £4.8bn in November.

Longer banking

Barclays Bank is extending the opening hours of nearly 2,300 of its branches from 3.30pm to 4.30 with full counter service.

Mr Geoff Miller, director of UK banking, said the move was intended to improve service and was in response to grow-ing customer demand.

Search for ship

A search was begun yesterday for the crew of The Flag Theofano, a Greek-registered ship feared to have sunk after the bodies of two men were washed ashore on the Sussex

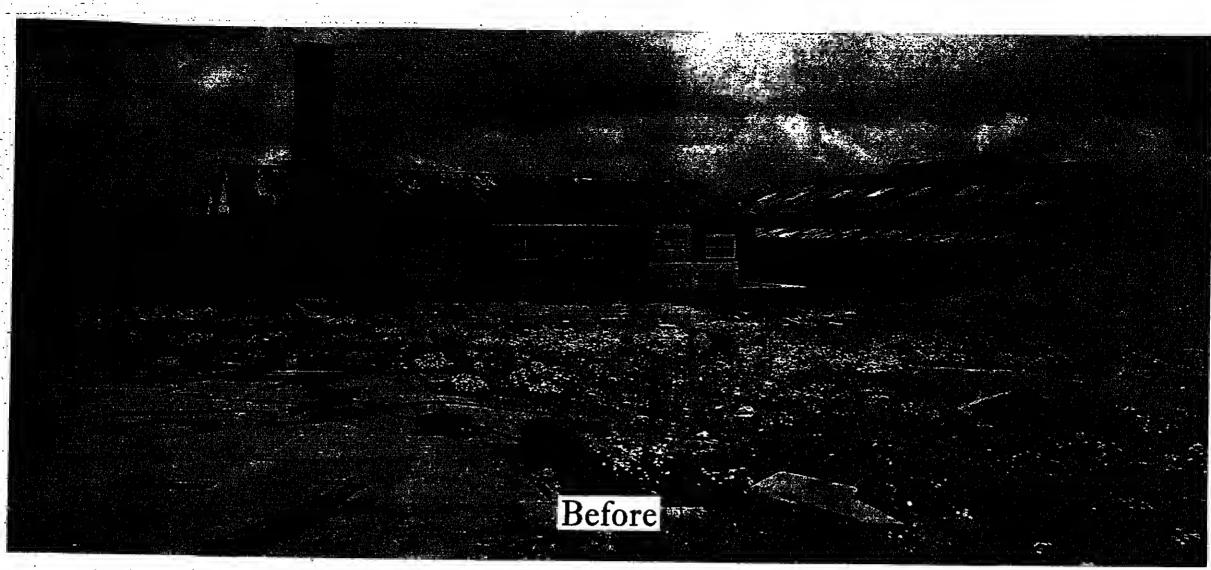
Storm aid to Britain

British victims of last week's storms are to receive £585,000 in emergency aid from the Brussels Commission in the largest national award the Commission has drawn from its disaster budget.

**Housing limit raised** 

The Government has increased the cash limit of the Housing Corporation, which funds and supervises housing associations, by £120m in this finan-cial year with a corresponding reduction in next year's bud-

US lecturer detained An American lecturer, aged 40, An American lecturer, aged 40, was being questioned by hish police yesterday about the discovery of an incendiary device in his luggage at Dublin airport. The Californian, travelling with his wife and child, was stopped when a police scanner detected the device.



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GLYNN V INLAND REVENUE COMMISSIONER Privy Council (Lord Keith of Kinkel, Lord Templeman, Lord Griffiths, Lord Ackner and Lord Lowry): January 22 1990

SCHOOL FEES paid by a company under its employee's con-tract of employment, are a "perquisite" derived from his employment, and are therefore assessable to salaries tax under Hong Kong law.

The Privy Council so held when dismissing an appeal hy Mr David Hardy Glynn from a decision of the Hong Kong Court of Appeal that he was liable to pay salarles tax on school fees paid by hie employer, Intergroup Associates Ltd.

LORD TEMPLEMAN said that by an agreement dated April 1 1982 Mr Glynn agreed to work for Intergroup as an executive director for HK\$5,000 a month and on terms that the company would pay his children's educa-

It was agreed that primary liability for payment of his daughter's fees to Roedean School should be borne by the because income only included company. Mr Glynn became liable to pay only if the company defaulted.

The Board of Review held that the school fees constituted income from Mr Glynn's employment assessable to Hong Kong salaries tax. By section 8(1) of the Inland Revenue Ordinance as amended, salaries tax was charged on Hong Kong income from any office or employment. Section 9 provided that income from any office or employment included "(a) any wages, sal-ary perqui-site whether derived from

the employer or others . . . The Commissioner contended that each sum paid by the company to Roedean School was a perquisite liable to salaries tax. Mr Glynn contended that a perquisite must be a sum of money paid to an employee if it was to be taxed. Mr Glynn pointed to Section 11B of the Ordinance which provided that assessable income was the aggregate amount of income "accruing" to the employee from all

Section 11D(b) provided that income accrued to a person when he "becomes entitled to claim payment thereof."
Mr Glynn, it was said, never became entitled to claim payment of the school fees paid by the company to Roedean.

Alternatively, it was submitthe value of a perquisite. Since the right to require payment of school fees could not be sold, that right was a perquisite which had no calculable value in money terms and therefore

The principles of the Inland

Revenue Ordinance were based on the provisions of UK Income Tax Acts with modification to meet the requirements of the the Hong Kong economy and establishment. Taxation of a perquisite involved the same problems in Hong Kong as in the UK. Con-sequently UK legislation and decisions would provide some assistance in construing the

Ordinance. In Tennant o Smith [1892] AC 150 the Revenue sought to tax an employee on the value of free accommodation. The House of Lords held tax was not payable. In *Heaton* o *Bell* [1970] AC 728 Lord Diplock summarised the effect of the decision. He said that Tennant v Smith "placed a judicial gloss on the word 'perquisite' by confining it to actual money payments and to henefits in

Although a perquisite must mean the payment of money. common sense required that a perquisite must also include money which could be obtained from property which was capable of being converted

into money. In Hartland v Diggines [1926] AC 289 a shipping company voluntarily paid tax on employ-ees' salaries. It was held thet that payment was part of the employee's profits. Viscount Cave, Lord Chancellor, said "the appellant did not receive cash in his hands, but he received money's worth . . . that being so . . . the payment was in fact part of his prof-lts . . . properly assessed to

The result of the authorities was that a perquisite included money paid to the taxpayer and money expended in dis-charge of a debt of the taxpayer.

The amount which the employer agreed to pay might fluctuate. If the annual school fees were increased the benefit to Mr Glynn would increase correspondingly, hut the amount of the payment would be ascertainable and taxable.

If the burden became too onerous for the company hecause the number and expense of Mr Glynn's family, no doubt the company would seek revision of the contract or terminate it An employer might provide

some advantages for an employee which did not involve expenditure of money for the employee's benefit, or which involved axpenditure which could not be attributed wboily or proportionately to one employee.

For example, if an employer contracted to provide a nurs-ery school for employees' chil-dren and to allow each employee to use its facilities, no identifiable sum was expended for the benefit of any particular employee.

Money might also he expended indirectly for the benefit of an employee without being taxable. For example, if a

vide for medical expenses the employer might voluntarily pay the expenses of transporting and treating an employee's child,

For present purposes it sufficed to say that an identifiable sum of money required to be expended by an employer, pursuant to a contract of service for the benefit of its employee, was money paid at the request of the employee and was either part of his salary or was a monetary perquisite taxable as such according to UK law and authorities.

Salaries and perquisites must have the same meaning in Hong Kong tax law, which was based on UK law, provided that Hong Kong legislation did not attach different meanings to those expressions.

9 to suggest that "salary" and "perquisites" did not include sums contracted to be paid by the employer for the benefit of the employee. Mr Pinson for Mr Glynn sub-

There was nothing in section

mitted that section 11D(b) showed that incoma was only taxable if payment was to be made to the taxpayer.

But section 11D provided that income accrued to a person when he became "entitled to claim payment thereof." Mr Glynn was at all times entitled to claim payment of school fees by the company pursuant to his contract of service. If Hong Kong legislation intended that only sums paid in cash to a

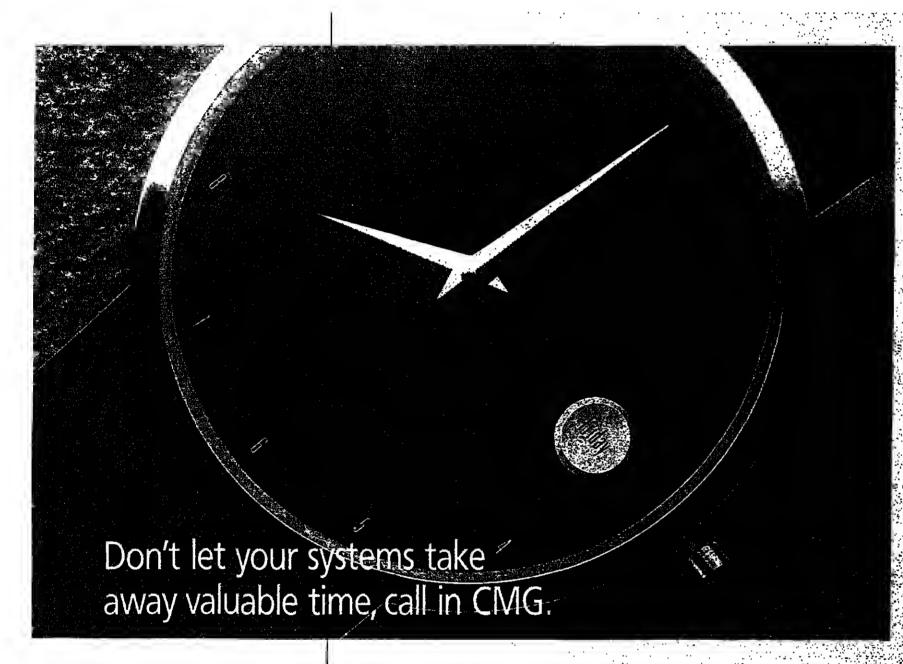
taxpayer should be taxable the Ordinance would require different language to achieve such an absurd result.

In Armstrong [1937] AC 885.896 Lord Maugham said it was well-settled that in interpreting a dominion or colonial taxing statute containing no reference to its origin or history, it was not permissible to consider the evolution or history of any British statute from which terms or sections might have been taken, "or to rely on decisions as to the true interpretation in the courts of Great Britain of those terms or sec-

That statement did not however, prevent application of the logical and sensible principle that expressions employed in British legislation and authori-ties on the meaning of such expressions were of assistance expressions were of assistance in construing identical expres-sions in Hong Kong legislation. Hong Kong legislation might of course, provide to the contrary, but in the present case perqui-sites not expressly exempted from salaries tax under the Ordinance were no different from perquisites not exempted from tax under the Income Tax Act. The appeal was dismissed.
For Mr Giynn: Barry Pinson
QC (Charles Russell Williams &
James).

For the Revenue: Andrew Park QC and Bernard Whaley (Mac-Farianes).

Rachel Davies



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### Britain reduces spending on EC agricultural policy

BRITAIN has cut the amount its spends on the European Community's common agricultural policy (CAP) over the past three years and costs are expected to continue to decrease in real terms for the next three years, according to the Government's policy document on public expenditure released vesterday.

released yesterday.

The Ministry of Agriculture,
Fisheries and Food will also
spend less in real terms on
so-called structural measures which include environmentally which include environmentally friendly farming schemes and control of pollution by farmers. Total spending on CAP-sup-ported commodities declined from £1.39bn in 1987-8 to an estimated £988m in the current

year. Savings of some £150m for 1990-91 and £160m in 1991-2 are projected, giving total spending of £1.29m and £1.47m on

ing of ELEM and ELE/M on the CAP in those years. The principal reason for the saving, according to MAFF, is that the reforms of the CAP, introduced in 1968, are beginning to bite, with a 2.8 per cent real reduction in average sup-port prices across the Euro-

ean Community.

Lower cereal harvests both lower production.

in the EC and in north America have also helped to cut spending.

Spending on the so-called structural measures, which range from capital grants for farm improvement to environmental and tree planting schemes, are to increase in cash terms from £217m in the current year to £228m in 1892-8. This represents however.

current year to £228mi in 1992-8. This represents, however, a decrease in real terms from £192m to £183m. The main reason appears to be that the Government's decision, announced a year ago, to shift the emphasis from capital grants which raise production to those which control pollution, can now be seen as masking a now be seen as masking a decline in capital grants.

However, one set of grants which are set to increase substantially are those for land taken ont of production. In 1990-91 these set aside schemes, applied to about 110,000 hect ares or 2.3 per cent of the eligi ble arable area in the UK, will cost £22m, rising to £33m in 1991-2 and £44m in the following year. The Government claims this cost is likely "to be more than ontweighed by

#### Rover deal with unions at Cowley

By Michael Smith, Labour Correspondent

ROVER GROUP, the UK vehicles manufacturer, has agreed a deal with unions at its Cowley plant on the potential use of binding arbitration as a means of solving locally-based industrial relations disputes.

Union leaders were stressing last night that the agreement does not rule out the possibil-

does not rule out the possibility of strikes. It does not apply to pay issues, which are determined nationally, and arbitration is only brought into play if both sides agree to it.

None the less the agreement adopts elements of the pendulum arbitration method of resolving disputes. If the two sides do agree to arbitration they would submit their final positions in a dispute to an independent panel which would then choose one or the other.

Rover is the second UK vehicles company in two months to agree agree a deal with unions which is simed at avolding strikes.

In December, Vauxhall – a subsidiary of General Motors

- negotiated a continuity of supply agreement with its Ellesmere Port, Merseyside, workforce Like the Rover deal, this introduced the possibility of arbitration, if both sides were willing.

### World Student Games reveal funding gap

UNIVERSIADE GB, the competing in 11 sports. company set np to run the World Student Games in Sheffield, northern England, next year has debts of £2.5m and has still to raise the bulk of the £27m it said yesterday would be the new cost of running the

It is, however, still solvent and is relying on a local drive for sponsors to bridge the gap until large international spon-sorship can be secured. Organisers are still confident of achieving this in spite of the further disclosure vectories.

further disclosure yesterday that neither the BBC nor ITV networks want to run the television coverage. TV coverage in prime time is essential to achieving a cascade of sponsorship for the games, the biggest outside the Olympics, which are scheduled to see teams from 120 countries Organisers yesterday con-firmed building costs of stadi-ums and facilities have over-shot to £140m from £111m - the figure still being quoted by the games' organisers only last Sentember. eptember. This money was borrowed

on the open market by a sister company when interest rates company when interest rates were still at 10 per cent, but will be repayable by Sheffield's poll tax payers over the next 22 years, adding at least £20 year to poll tax bills.

Yesterday's new figures show that Universiade GB spent £3.9m in the 27 months to the end of lest year exciper.

to the end of last year, against revenue from sponsors of only

They come from an audit and review by two firms of accountants, Peat Marwick McLintock and Pannell Kerr

Foster, which was presented to Universiade's board of council and business leaders on Mon-

Money spent includes a pre-viously unknown final figure of £350,000 to win the bid. Of the rest, £1m has gone on mar-keting, £750,000 on salaries, £200,000 on interest charges and the rest on general running costs.
The company reached its

city council-guaranteed over-draft limit of £1m just before

Christmas.
This precipitated a cash crisis when the board discovered that £3m promised in monthly instalments by the Sports Council was subject to Treasury-imposed conditions that stopped its use to guarantee further borrowing.

Universiade sacked Mr Peter
Burns, its chief executive in an

acrimonious row, while Mr ness plan had to take account Danny Simpson, the finance of two large previously unbudgetted items.

ago. Mr Norman Adsetts. chairman of Sheffield Insulations, who was described yesterday as Universiade's new "acting chief executive," said that Mr Burns' departure was the result of the "irretrievable breakdown of communications

with the rest of the board."
Mr Burns remains in dispute over unpaid contract fees and said yesterday be would be pressing for £50,000 owed him. He said the audit and review showed that he could not have been in breach of contract himself-the reason for which he was told he was being sacked

The added values of British Steel. Number two of a series.

About £2m will have to spent temporarily refurbishing a dis-used block of council flats as part of the village for the games' 6,000 competitors and officials the Government had been expected to pay for this but has refused while up to another £2m will be needed to provide for television coverage.

The latter stems from failure to sell the games to either the BBC or ITV companies as host

broadcasters.
Universiade GB will have to arrange its own television cov-erage using independent conerage using independent con-tractors. A senior manager is already in Auckland, half way through a trip to Japan and the US, discussing the sale of pictures to television compa-nies.

#### Campaign urges businesses to prepare for single market By Anthony McDermott

THE DEPARTMENT of Trade and Industry (DTI) launches a £2m advertising campaign tomorrow aimed at pushing half a million small and mediatory (DTI) launches a £2m advertising.

March 1988. It has so far cost £13.6m, of which £9m was spent on television advertising.

Yesterday, Lord Trefgarne, the UK pushing hair a minion small and medium-sized businesses in Britain into making overdue preparations to meet European competition when the EC becomes a single market in 1992.

This forms the second phase of the BTT's single market campaign "Europe Open for Business", which began in

of which 1970 was spent on television advertising.

Yesterday, Lord Trefgarne, the UK Trade Minister, said there was ample evidence that, as a result of the initial campaign, virtually every business in Britain was aware of the single market. "Some 50 per cent are also taking action – but I am concerned about the many firms. Particularly the smaller many firms, particularly the smaller

ones, who still have to act, saying that the single market is of little or no relevance," be said.

While the DTI is leading this cam-

paign to draw attention to its services, which include pamphlets, brochures, videos and a bot line, it will depend beavily on chambers of commerce, trade associations and professional advisers in banking, law and accountancy to provide companies with both

Earlier, 600 businesses and organisa-tions were contacted by the DTL From those employing fewer than 500 people, only 30 per cent bad responded, prompting the DTI into this second

The new campaign is to last until the summer, when, on the basis of returns, a decision on whether to continue the campaign will be taken.

### King criticises US

Referring to the virtues of free competition he said there could be quite a gap in Washington DC between what is preached and what is practised. The distinction between foreign and domestic carriers was in many errors of anathers.

foreign and domestic carriers was in many areas an anachronism, said Lord King.

He pointed out that 36 percent of BA's shares are owned by non-UK nationals and that 26 percent are in US hands.

We need to bury bilateralism and usher in a new era of free trade in a partition.

that the US Secretary of State



in the Community.

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(We've recently developed an easy-open, all-steel can without a ring-pull, eliminating a particularly nasty bit of litter.)

More than 950 million steel cans were recycled last year. And very happy we are to see them back.

Recycling has always played a major part in steelmaking; more than for any other metal.

Steel isn't all we recycle: 95 per cent of the water we use is cleaned and used again.

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Much of the value we're adding to our products is also of



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do much to reduce noise-pollution: as feed-hoppers in factories, for example, and shielding for engines.

Then there are the thousands of tonnes of British steel in the Thames Barrier, the floodgates of London.

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### civil aviation policy

By Paul Abrahams

N. Berry

of ECh

\* irelands

Courted Spaces

LORD King, chairman of British Airways, the UK flag carrier, yesterday criticised aspects of US civil aviation pol-icy which prevents non-US airlines operating American domestic routes or owning US

During a speech to the American Chamber of Commerce in London he repeated complaints he made last November about the restrictions on free trade which the US imposes on international strings.

participate in the buy-out of United Airlines, the US carrier owned by UAL, it was advised

Lord King: call for open skies

for Transportation was unlikely to permit an airling that is one quarter American to own more than 15 per cant of a US airling.

He warned that until the percentility rule is relaxed BA

nationality rule is relaxed, BA would object to a US company buying a British airline or any carrier in the European Com-

By January, 1993, airlines in the EC should be free to carry cargo and passengers between one city and another anywhere

Heron expands US property portfolio By Paul Chesseright, Property Correspondent

which handles the US property investments of Heron Interna-tional, the UK-based multinational, has joined up with institutional investors to buy three portfolios of residential prop-erty in Texas and New Mexico worth about \$100m (£55.5m). Heron International is a con-giomerate with interests

stretching from filling stations through motor distribution to financial services and property. One of the largest private groups in Europe, it is controlled by Mr Gerald Ronson.

The latest purchase has been timed to take advantage of the transfer of the private in the private private groups in Europe, it is controlled by Mr Gerald Ronson.

The largest private groups in Europe, it is controlled by Mr Gerald Ronson. what is expected to be a rise in property markets which, in recent years, have seen values collapse. The properties are 17

HERON Financial Corporation. tin. Dallas, Houston, San Automo and Santa Fe.

Mr Alan Goldman, a director of Heron International said the properties showed yields which covered interest charges. It would cost twice as much to construct them now as it did to buy them, he added. Heron is seeking to expand

its US property portfolio, cur-rently valued at about \$500m, and is concentrating its search on apartment buildings. In the US, it owns 31 apartment build-ings, two hotels and over 3m square feet of office and retail

space.
The group has been much more expansive geographically than most British property companies. It has investments across continental Europe as well as a development pro-gramme within the UK. buildings containing 4,100 high-grade apartments in Aus-

#### Lancia plans increase in UK motor sales

By John Griffiths

LANCIA, the Italian car manufactnrer, hopes to increase its UK sales by nearly 50 per cent this year following the launch on March 1 of its medium-sized saloon, the

medium-sized saloon, the Dedra. The Dedra, which Fiat's executive cars subsidiary sees as a rival for the BMW 3 Series, Audi 80, and Volvo 440 amongst other cars, has been on sale in most continental markets since last year. Flat Auto (UK), the Ralian vehicle maker's wholly owned subsidiary, expects to seil 2,000 Dedras, plus 1,000 Themas, its larger executive model; 1,000 Y10 small hatchbacks and 700-800 Delta hatchbacks. Last year Lancia's total UK sales were 3,201 – a drop of nearly 22 per cent compared with 1988.

The poor sales performance was a key factor which led the

Italian car maker eight mouths ranan car maker eight months ago to reassume control of the Lancia franchise in the UK from Lancar, a Heron Corporation subsidiary which had held it for the total control of the control

it for six years.

In the longer term, Lancia intends to bring its UK market share, currently 0.14 per cent, closer to its 2.2 per cent aver-age for western Europe as a whole – although this figure includes a 9.9 per cent share in

Fiaty.

Fiat spent £200m on developing the Dedra, a larger and more powerful replacement for its Prisma saloon. It built 47,000 Dedras last year, and in a full year expects to make between 90,000 and 100,000.

The new car was instrumental last year in lifting Lancia's total production to 312,00; a 15 per cent increase on 1988 and

the first time Lancia's output had exceeded 300,000.

#### **MANAGEMENT**

On the second day of our report on British Aerospace, Paul Betts and David White assess the group's civil and military operations

### An outburst of enthusiasm

be slightest meution of Britisb Aerospace produces immediate reactions of agony and ecstasy in Tou-

louse these days.

The 13-week old strike at BAe's plant at Cbester, which manufactures the wings for all the family of Airhus airliners, is now threatening to bring final assembly of Airbus aircraft to a complete halt in Toulouse, the headquarters in south west France of the four untioo

European aircraft consortium. With its order books bulging and production fully stretched, the dispute could not have come at a worse moment and BAe's Airbus partners have not disguised their frustratioo at seeing the growing success of the Airhus programme jeopardised by the British dispute over shorter working hours.

At the same time, however, Toulouse has been encouraged by BAe's growing enthusiasm and commitment to the Airhus programme in which it has a 20 per cent stake. "It's a 180 degree turnround when you think of all the worries and doubts they were still expressing about Airbus harely six mooths

ago," remarks a Toulouse official. But in the last few mouths, the top brass at BAe have gone out of their way to stress the importance they now attach to Airbus and European co-operatioo in the commercial aircraft business.

There are good reasons for BAe's sudden outburst of enthusiasm for Airbus. Although it has a number of other commercial aircraft programmes of its own, BAe's fortunes in the civil aircraft business are now inextricably linked to those of Airbus. "Airbus is a fundamentally important part of BAe and we are wedded to making Airbus successful," declares Sid Gillibraud, the head of BAe's aerospace end

defence activities.
Indeed, Airbus is not only likely to weigh heavily on BAe's commercial aircraft operations hut also on the fortunes of the group as a whole. The loug-term prospects of Airhus are increasingly encouraging; the consortium's turnover is to around \$15hu hy 1995. Sustained production rates and a hulging order book for its family of airliners is likely to see Airbus making its

first profits in the mid-1990s. BAe is anxious to see the sort of coange at Airbus which would

enable the consortium to translate commercial into financial success. We would like to see it having the shape of an industrial company producing a wide range of aircraft," explains Gillibrand. The way forward, be says, is to turn the consortium into a more profit-oriented commercially minded enterprise. BAe believes the arrival of the

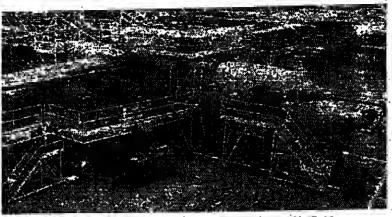
West German Daimler-Benz group in the programme will speed up the process of change at Airbus because BAe and Daimler-Benz share the same profit-oriented business approach. Evidence of this, says Maurice Dixson, the managing director of BAe's commercial aircraft subsidiary, includes the decision to make the four European partners compete for work on the new Airbus A-321 twin-engine aircraft, as well as funding the pro-gramme from commercial borrowings rather then relying on povernment financial support

BAe's activities in Airbus have beeo grouped in a separate subsidiary within the group's commercial

aircraft company. This is part of the radical reorganisation of BAe's management structure carried out two years ago in order to decentralise authority and to create a series of separate profit and loss centres. Focused on their specific markets, these were intended to respond to a tougher international competitive environment both for commercial and military aircraft.

"in the case of commercial aircraft, there were in fact three separate markets out there, so we created three separate divisions addressing each one of these mar-kets," explains Gillibrand. The reorganisation helped provide BAe with what Dixson calls "clear profit and loss accountability to each of the

The management reorganisation was accompanied hy major restruct-uring. "We had to hack away at our cost base. This involved great effort and great pain but these efforts are now paying off," says Gillibrand. After more than £400m in provisions over the past five years, BAe's commercial aircraft husiness has now bounced into profit, although the improving trend could be



Assembly of the 100-seater BAe 146 regional jettiner at Hatfield

affected in the short term by the recent labour dispute. However, in the longer term, BAe now sees its commercial aircraft activities as a growth sector for the company, in contrast with the more uncertain future of its traditional defence operations. Indeed, in its first full year of operation, the new commercial aircraft company achieved a turnover of £1.5hn last year and chalked up £1.1bn of new aircraft orders - in addition to the record order intake of the Airbus consortium for 421 airliners last

year valued at \$34bn Alongside the Airbus division. BAe has set up a corporate jet divi-sion responsible for its profitable BAe 125 executive jet and an airline division which groups together its operations in the cut-threat regional airline market. This division faces a number of challenges, including improving the market penetration of its Advanced Turbo-Prop (ATP) aircraft and of the 100 seat BAe 146

regional jetliner.
Sales of the 64 seat ATP have so far been disappointing. Dixson

believes the aircraft has potential but concedes that it "does have to prove its position in the market place." By contrast, the group's other turbo-prop programme, involving the 19 seat Jetstream 31 and the recently launched Jetstream 41 stretched version of the aircraft, is turning into a success story. Dirson says the Jetstream 31 has repaid its launch cost and has now reached the breakeven point.

The company is also optimistic about the BAe 146, which is assembled at two plants – Hatfield and Manchester. The main problem of the BAe 146 is that it has four engines at a time when an increasing number of customers are looking for twin engine regional jetliners. However, the BAe 146 appears to have developed a growing number of niche markets and

Dixson says the programme is "making good operating profits".

At the end of the day, however.

BAe's commercial aircraft operations are bound to be increas-ingly driven by the Airbus pro-gramme. Gillibrand believes that new alliances will also develop around the company's regional air-line and corporate aircraft busi-nesses. "The future lies in co-operation." he says.

in the haogar at Warton, Lancashire, two dozen Tor-nado combat aircraft awalt completion, as innocent as chicks in their matt yellow undercoats. The discreet tail-

markings on this cool half-hil-lico pounds' worth of bardwere show which machines are earmarked for the RAF and which for Saudi Arabia. Warton and the Tornado are the core of British Aerospace's military business. The youngest of its military aircraft centres. Warton has set the pace for the commercially-oriented style that the company has tried to instil throughout its

defence activities. With 60,000 employees and more than £3bu annual sales in defence, BAe has the UK's biggest arms empire. Ranging from bombers to hullets, the amalgam of interests would be a challenge to manage, even in a stable environment: an aircraft company put together from different traditions and now heavily geared to international collaboration; a guided weapons company that has been beavily pruned and is merging with the corresponding parts of France's Thomson group; and the government's former munitions factories, the reorganisation of which has landed RAe in fervent controversy and allegations of Collaboration – a defence against cost-cutting

asset-stripping. Over the past few years, BAe has bad to adapt to tougher procurement practices by the Ministry of Defeuce, and now faces the uncertainties about future defence spending cuts. BAe is too wide-ranging to be unaffected, although it counts on continuing growth in defeo-sive weapons and high-technology areas.

Dick Evans, BAe's new chief executive, takes a down-to-earth attitude: "Nobody knows what is going to bappen ... You've got to deal with what you have at the moment in your band."

With his promotiou, the administration structure has changed for the second time in just over a year. The first change stemmed from recom-mendations by McKinsey, the consultants, to create autonomous divisional profit-ceotres. The defence companies were put under one bead (Evans) to avoid conflicts of interest in the development of new prodncts. He has now put them together with commercial aircraft, reconstituting a single aerospace company - a move clearly designed to ensure readiness for strategic moves ahead in European aerospace. of the "Wartou culture." He joined the predecessor cum-pany, British Aircraft Corporation, there over 20 years ago. The other main military air-

craft ceutres, the former Hawker site at Kingstou-up-ou-Thames, where the Harrier is now made, and the plant of the former Blackhurn com-pany at Brough, North Hum-berside, go back to the origins of military flight. Warton developed after World War II and has had a series of suc-cesses: the Canberra, the Lightning, and the Tornado. What is it about Warton? It

has, explains John Weston, new managing director of British Aerospace (Military Aircraft), "a sort of Northern brashness about it," an emphasis on commercial and management disciplines, and a record of engineering excei-

Weston himself, at 38, is an example of the BAe style of manager, with a life commitment to his side of the business. He joined BAC as an undergraduate apprentice and



to his side of the business

has left the fold only for secondments to the beadquarters of the three-nation Tornado and to the Ministry of Defence's export department.

He sees the company's experience in collaboration and its prime place in UK arms exports as key to its riding out cost-cutting budgets.

Defence is already a declin-

ing part of BAe's overall business. Last year, including defence-related parts of Rover and its construction business, its share dropped from more than 50 per cent to barely 40 per ceut of group sales. This partly reflected gruwth in commercial aircraft and cars, but also a slowdown in the

weapons business.
The pure hardware side is progressively going to become less important," Evans admits. But "the real money" earner is snpport and npdating uf weapon platforms. "The numbers of platforms inevitably become fewer, but the actual capital investment within the platforms continues to multiply. We're in the business of leading the reinvestment In deals like the UK's £15bn

arms package for Sandi Arabia, BAe has built up for itself a role as project manager. In Sandi Arabia it already has 3,500 people, mainly ex-service, and as part uf its economic offset programme is becoming involved in industrial ventures as far removed from military airframes as plastic tollet seats. In these deals, it is able to exploit the breadth of its defence operations, which provide contacts covering all

armed services. A juint Defence Marketing Organisa-tion embraces aircraft and

guided weapons. Quite how the new BAe-Thomson missile group, Euro-dynamics, will fit in is still unclear, however. The two partners are setting up a joint non-trading management com-pany and have given it a year to form a fully-fledged joint venture with expected annual sales of £1.4bn. The approach breaks fresh ground for the European defence business, and for BAe, not usually an enthusiast about ventures over which it does not have overall control.

The BAe part, BAe (Dynamics), has already been through a major rationalisation. A year ago it had 16,000 employees at nine sites. It now has 12,000 at six sites. There are expected to be fewer weapons projects in future, but the pickings for the winners will be bigger. The rationale behind the merger, which has sprung from two years of contacts between the partners, is to provide the resources needed to ensure a place as prime contractor for new programmes, and to maintain a hold on key areas of technology. However, growth prospects

for BAe's weapons activities are in some question. One of Dynamics' biggest projects, Trigat, a family of anti-tank missiles being developed jointly with the French and West Germans, is opposed by soma top British Army ufficers. Cancellation would be a considerable blow. Royal Ordnance is also vul-

nerable to disarmament. Put together from 13 government factories and two research establishments, deprived of its flagship product (tanks, which were transferred to Vickers), it is still being weaned away from its former monopoly. When BAe bought it for £190m in 1987, it had no sales struc-ture. It simply made things to the MoD's specifications.

Reorganised by BAe into four core businesses, it has a five-year transitional arrangement up to 1993 giving it an ensured 80 per cent of the MoD's direct purchases of specified explosives, ammuni-tion and propellants, but with prices steadily being reduced. It has still to prove it can be competitiva, even after clo-sures affecting 3,500 jobs which have plunged the com-pany into a political row about profitable land sales.

In aircraft, the main question hangs over the European Fighter Aircraft, five of which are coming together in jigs at Warton Despite rumblings of possible West German withdrawal, Weston believes can-

cellation is "highly unlikely." The EFA is vital for the military aircraft division in the long-term, but the Tornadu and new versions of the Hawk trainer/fighter make np the immediate business, at least for the next five years. And then there is in-life support; the last Tornado, for instance, will be in service for 20 or 30

Military aircraft manufacture is expanding more slowly than the business generated by it, which includes infrastructure, support and training. Last year 30 per cent of the division's business "had nothing to do with the design and mannfacture of aircraft," and the proportion is growing.

Two further articles will be published on this page on Friday.

#### SUCCESS IN THE DE Investment has flowed into Grangemouth, one of the U.K.'s principal petro-chemical Amicable and G-P Inveresk, all thrive and prosper in the area. complexes, since the early 1920's. They benefit from being right at the heart of Central Scotland with motorways, main And successful investment continues today ine railways and three international natanly by B.P. and I.C.I. but by major imports close at hand. fareign-owned companies such as Barg-Warner, Rohm & Haas and Eni-Chem. Apool of highly skilled and productive labour is an their doorstep and six of They take full advantage of the oil, Scotland's eight universities are a mere gas and natural chemical by-products present at Grangemouth. And they A range of factories and fully nefit from the area's approved serviced sites is available at all ramework of environmental and times allowing planned company planning contrals. But not only the petro-chemical And they benefit from a wide industry is successful in Central ange of financial incentives for ah creation and project Engineering, textiles financial services and paper To find out how your company could benefit Region dip the coupor today or call direct.

### FERRANTI

To the holders of Ordinary Shares in Ferranti International plc

An Extraordinary General Meeting of Ferranti International plc ("Ferranti International") has been convened for 10.00 a.m. on Monday, 5th February, 1990 to approve, inter alia, the issue by way of rights of new Preferred Ordinary Shares to raise £187.1-million of equity (the "Rights Issue") and the creation of the Special Shares.

In order to help safeguard the future of the Group, it is essential that the arrangements for the Rights Issue remain in place pending completion of the sale of Ferranti Defence Systems Group to The General Electric Company. p.l.c. ("GEC"). Discussions continue with the underwriters and the Company's bankers to achieve an extension of the underwriting period for the Rights Issue. If such agreement is reached, the Board of Ferranti International (the "Board") intends to propose an adjournment motion at the Extraordinary General Meeting on 5th February, 1990 to give time for the sale of GEC to be implemented. However, in case the underwriters or the Company's bankers do not agree to the adjournment of the Extraordinary General Meeting, the Board unanimously recommends all shareholders to vote in favour of all the resolutions to be proposed at that meeting.

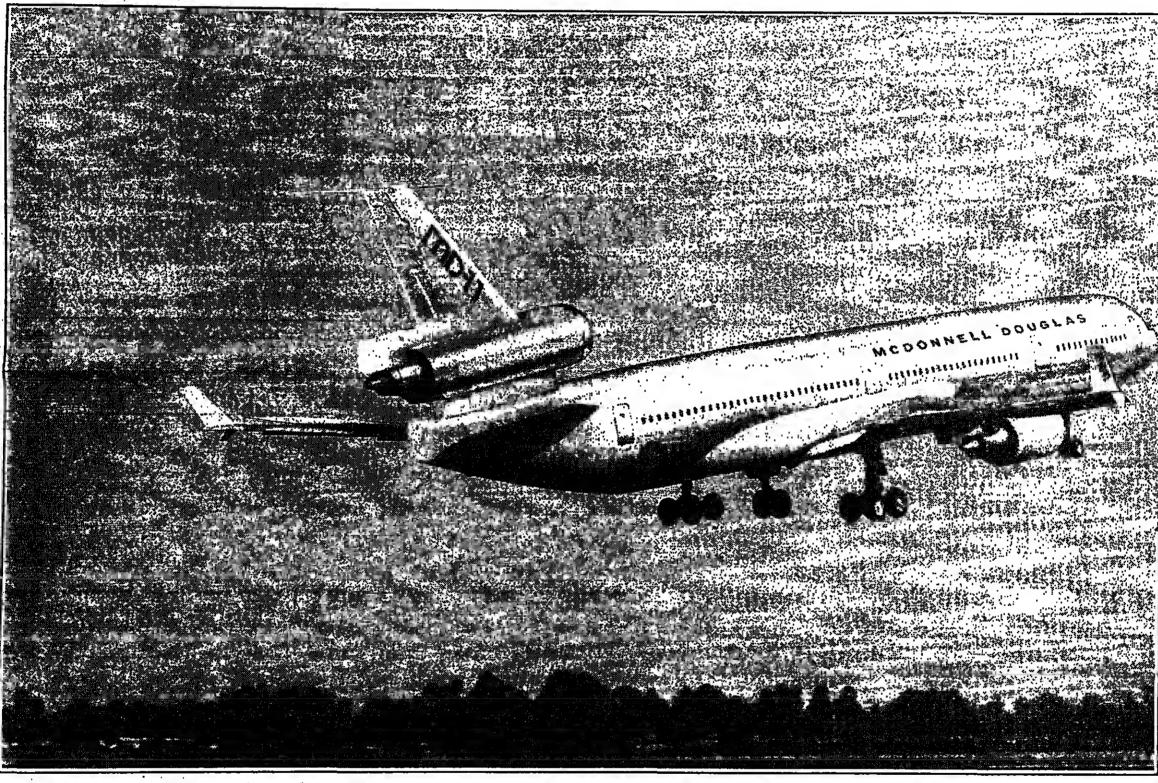
IT IS IMPORTANT THAT ALL SHAREHOLDERS CAST THEIR VOTE. THE BOARD OF FERRANTI INTERNATIONAL RECOMMENDS SHAREHOLDERS TO VOTE IN FAVOUR OF ALL THE RESOLUTIONS. FORMS OF PROXY SHOULD BE RETURNED TO THE COMPANY'S REGISTRARS SO AS TO ARRIVE NOT LATER THAN 48 HOURS BEFORE THE TIME OF THE MEETING.

The issue of this notice has been approved by the Directors of Ferranti International. The Directors of Ferranti International are the persons responsible for the information contained in this notice. To the best of the knowledge and belief of the Directors of Ferranti onal, who have taken all reasonable care to ensure that such is the case, the information contained in this notice is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of Ferranti International accept responsibility accordingly.

Listing Particulars and Supplementary Listing Particulars in respect of the Rights Issue were published on 12th January, 1990 and 26th January, 1990 respectively and are available from Baring Brothers & Co., Limited, 8 Bishopegate, London ECZN 4AE.

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Wednesday January 31 1990

### The road to unification

EVER SINCE the collapse of ance, shorn of its military the hardline Communist regime in East Germany and the memorable opening of the Berlin Wall last year, German unification has been on the international agenda. Moscow may have pretended for several months that it would never be on the cards and Bonn's west ern allies that it was a distant prospect dependent on the ful-filment of a whole host of conditions, but no one had any serious doubts that it would happen one day.

That day, however, is loom-ing ever closer as the result of the latest developments in East Germany. The East German Prime Minister, Mr Hans Mod row, has announced that he has been obliged to bring forward to March elections originally planned for May, and to form a non-partisan caretaker coalition in the meantime, as the only way of saving the country. The picture painted hy Mr Modrow is indeed alarming: a disintegrating economy plagued by strikes, the con-tinuing daily haemorrhage of no to 3,000 citizens, who prefer life in West Germany, and a hreakdown of law and order.

Because of these overwhelming pressures, half-hearted eco-nomic reforms are no longer sufficient to create the kind of environment in which East Germans want to live. Only a few hours after the Prime Min-ister's dcomsday warning, some 100,000 East Germans staged a demonstration in Leipzig, calling for unification with West Germany. It is more than likely that the government emerging from the country's first free elections in March will also make that one of its top priorities.

Under pressure

Under the pressure of events, even Mr Mikhail Gorhachev was forced yesterday to drop his opposition to the principle of unification, while stressing that it needed careful management so that it would take place in an orderly fashion. No western leader would quarrel with that judgment, particu-larly given the security impli-cations. Would a united Ger-many inevitably lead to its neutralisation and thus to a weakening of Nato? Could a united Germany become a member of the Atlantic Allito a purely political role? These are questions which

cannot be answered satisfacto-rily until the arms control process has advanced much further than at present. Once an East-West agreement on con-ventional force reductions in Europe has been reached and a Strategic Arms Reduction Treaty signed, it will become more realistic to talk about the withering away of Nato and the Warsaw Pact and the membership of a united Germany of a western alliance.

#### Stable currency

That does not mean, how-ever, that all aspects of Ger-man unification need or should be delayed and that a step-hy-step process cannot be set in train almost immediately, par-ticularly in the economic domain. An economic and monetary unioo between West and East Germany, without, for the moment, leading to a full federation of the two states, could be the answer to East Germany's problems in the shorter run.
The most urgent measure

required is to give East Germany a stable currency and a stable price system. This could be achieved if West Germany were prepared to establish a fixed rate for the D-Mark against the Ostmark which people would then want to hold, instead of fleeing from a currency which is constantly declining in value. Currency integration would go hand in hand with a liberalisation of East Germany's still restrictive foreign investment and foreign trade regulations, thus stimu-lating trade and investment flows hetween the two Germanys, the abolition of price controls and rapid moves towards a genuine market economy.

The progressive integration of the West and East German economic systems, involving inevitably some common institutions such as the Central Bank, would lay the ground work for a fuller unification of the country at a later date. But it need not lead, in the short term, to the agonising reap-praisal of alliances which the Soviet Union and most of Boun's western allies at present so much fear,

### Church, state and poverty

LIVING FAITH in the City, the Church of England's latest analysis of Britain's social problems, is certain to irritate memhers of the UK Government. It is unimpressed by gov-ernment initiatives in housing, health care and education and strongly critical of recent tax and social security reforms, and social security reforms, which it says have greatly increased the gap between rich and poor. Many underprivileged people, it suggests, face a hleaker future today than they did in the mid 1980s. The implication is that the Government has made little progress in tackling the problems identi-fied in Faith in the City, the church's controversial 1985 study of inner city decay.

Dr Robert Runcie, the Arch-

hishop of Canterhury, has endorsed the latest report which was produced by an advisory group led hy the Bishop of Willesden. Dr Runcie, rarely a popular figure in Downing Street, deserves credit for being prepared openly to criticise the thrust of

government policy.

The hulk of the population has undouhtedly enjoyed rapidly rising living standards in the past decade. But this general prosperity has heen accompanied by acute social disorders: rising inner city crime, more begging on the crime, more begging on the streets an increase in one-par-ent families, and widespread homelessness. There is no agreement on how hest to tackle these problems, which beset many other advanced economies. Ministers should therefore welcome constructive criticism, whatever its source.

#### Relative poverty

The study is deeply critical of the concept of poverty advanced by Mr John Moore, the former Social Services Secretary. Mr Moore pointed ont that 50 per cent of those on income support have a telephone and almost all have a television. To talk of poverty in modern Britain, he suggested, was a "dangerous" misuse of language. The church's response is that poverty is a "relative as well as an absolute concept." It exists "even in a relatively rich western society if people are denied access to what is generally regarded as a reasonable standard and quality of life in that society." It is about powerlessness, exclusion and loss of dignity, as well as shortage of money.

The authors of Living Faith The authors of Living Faith in the City are therefore concerned by the sharp rise in inequality during the 1980s. Between April 1979 and April 1989, the real weekly earnings of the lowest paid decile rose 5.7 per cent; the top decile enjoyed an increase of 36.6 per cent. Over the same period, the income tax liabilities of the lowest decile fell by 1.6 per income tax liabilities of the lowest decila fell by 1.6 per cent; those of the top decile fell by 48.5 per cent. "In our judgment," says the report, "the inequalities are too great and are excluding more and more from participating in our society."

#### Private charity

The report also criticises the Government's attempt to pro-mote private charity in pisce of public expenditure. The Bishop of Willesden and his colleagues argua that the amount of money likely to be given in vol-untary donations simply bears no comparison with the sums that can be raised in taxation. It is thus an illusion to believe that an expanded voluntary sector can shoulder a significant hurden of poverty relief. The co-existence in the US of well-funded private foundations and apparently intrac-table social disorders suggests such scepticism is justified.

This latest broadside from the church is marred in only one respect there is little dis-cussion of contrary points of view. The authors simply assume that inequality is a had thing. Many Thatcherites dispute this, arguing that increased differentials are necessary to improve incentives and boost economic growth. Nor does the study consider the argument - popular in the US - that public welfare is usually counter-productive because it increases depen-

dency.

These argumants may ba wrong hut in 1990 they have to be addressed. The church has every right to question the morality of government eco-nomic policy. But it would do so more effectively if it displayed a better understanding of the philosophical rationale behind the enterprise culture.

### Quentin Peel and Mark Nicholson visit the latest citadel of a burger empire

he sign at the entrance to McDonald's latest and great-est addition to its hamhurger empire says it all: "Only for

That is a statement of faith by Mr George Cohon, bead of McDonald's Canada, and the man who has fought against the overwhelming odds of Soviet bureaucracy and western scepticism for 14 years to huild an outpost of the empire in Moscow.

It means that ordinary Soviet citi-

zens will be able to buy their Big Macs and French fries for their own devalued currency, and not be forced to gaze through the windows in envy at a handful of foreign tourists and black marketeers who happen to pos-

sess hard currency.

It also means that McDonald's is going to make a mountain of rather useless roubles.

When it opens today in Pushkin Square, on the former site of the dreary old Cafe Lyra, McDonald's Moscow is set to break a whole string of records, intentional and uninten-

It could be the first McDonald's res-taurant in the world without a litter problem. Soviet customers are already taking the polystyrene packaging It could be the first to make a mock-

ery of the concept of fast food: the queueing may well take 10 times as long as the eating.
It certainly expects to be the first to hreak the 15,000 barrier for individual food orders in a single day. And it intends to be the first restaurant in

the Soviet Union where the staff are taught to smile. The brash red-and-yellow plastic fittings, and that ubiquitous giant M, already provide a shocking contrast in the heart of Moscow to the familiar seedy decrepitude of a Soviet city. McDonald's will be tackling a huge culture gap. It is not just a gap in food culture, between the ultimate American bamhurger and the miserable

Soviet sausage, although that is large enough. It is a gap in husiness cul-ture, management culture, leisure culture and work ethics. Without the crusading zeal of Mr Cohon, it must be extremely unlikely that the project would ever have seen the light of day. Behind the public relations hyperbole and the razzmatazz of opening day lies one of tha most painful and painstaking western investments to be made at the very

cutting edge of perestroika.

McDonald's is staking its international reputation on being able to maintain its management culture and quality control indefinitely, in the heart of the Soviet Union, serving Big Macs in Moscow as if it were Minneapolis or Miami.

Those hamburgers, quite apart from being just another symbol of American cultural imperialism in the heartland of communism, represent an experiment to prove whether western capital really can operate under current conditions of perestroika - the half-reformed Soviet Union. As such, the operation already offers a case-study for any other potential western

study for any other potential western investor.

The US food giant has been forced to set np a totally integrated food supply, processing and distribution operation in the Soviet Union, just to ensure satisfactory supply to the ona 700-seat restaurant in Pushkin square. Out of a total investment of \$50m, \$40m has been spent on a gleaming 100,000-sq-ft processing plant on the edge of Moscow, for everything from meat patties to cucumber pickles, tomato paste and potato chips.

At full stretch the plant can turn

out each hour 10,000 meat patties, 14,000 buns, 3,000 litres of milk and 5,000 apple pies. It can store 3,000 tonnes of potatoes. This is all achieved in a factory which would make a passably trendy Swedish fur-



### Mac attack in Pushkin Square

niture warehouse Manned by 250 locals and, for the Manned by 250 locals and, for the next few months at least, supervised by top McDonald's managers from Europe and North America, the plant will trundle along on 8 am to 5 pm shifts for the foreseeable future.

Managers insist that a huge inventory of spares and an on-site workshop should keep the plant immune from the chronic parts shortages.

from the chronic parts shortages which are endemic throughout the Soviet Union, Pilfering from work is soviet Union. Piliering from work is to be taken care of by security guards at the gate, 10-ft-high barbed wire fencing around the plant and guards and security cameras inside, Sceptical observers will hope the security guards are models of prohity.

The food processing plant repre-sents a degree of integration all the more remarkabla for the fact that McDonald's itself normally shuns such arrangements, preferring to rely on independent suppliers. McDonald's, unlike most other

early western investors in the consumer sector, will operate in roubles from the very start. "Earning hard currency is not

something we are concentrating on," Mr Cohon insists. "We are a restaurant company. We are more concerned right now with building a business. We are not concentrating on repairiating profits 'I'm more worried about the crew

(McDonald's jargon for its employees), seeing that they don't hurn out, and ensuring that the standards are main-tained."

It is a company decision which underlines the long-term view it has taken about investing in the Soviet economy, as well as a realisation that the booming "dollar economy" may

vet cause a violent backlash. "Don't think you can come in here real quick, make a deal, and walk out with hard currency profits. That just isn't real," he says.

"You have got to get really good advice. There are no instant experts in this country. Then you have got to get into the mind-set of the Soviets. You have got to start thinking what

their problems are."
McDonald's has a 49-per-cent interest in the enterprise; Mossoviet, the Moscow city council, 51 per cent. But the track record of western joint ven-tures in the Soviet Union is uninspir-

At January 1, 1,274 joint ventures

The McDonald's venture is an experiment in whether western capital can operate in a halfreformed Soviet Union

had been registered. According to the State Statistics Committee, only 184 were actually operating in 1989, and many of those just turning over. By far the largest proportion have been registered in the easiest but least productive areas. Just 4.4 per involved in agriculture and food-processing industries.

Joint ventures have trouble ensur-ing adequate and regular supplies in a system where all supplies are allo-cated by the state, and joint ventures largely fall outside the system. They must try hard to find some way of making profits in hard currency as well as in roubles. They must bridge

the divide in business culture, whether that means employment practices or the definition of profit. In securing supplies and in span-ning business cultures, McDonald's has simply been bloody-minded and insisted on having its way. It has been

willing to compromise on the early repatriation of profits.

McDonald's has its own experts to upervise supply right down to the farm level. The company brought in Russet Burbank seed potatoes from the Netherlands and Canadian agronomists to supervise the planting, har-

vesting and storage. The yields are 20 per cent to 100 per cent better than on the adjoining fields," Mr Cohon says. The joint venture sends its own lorries to the farm gate to collect the potatoes; it refuses to rely on a Soviet distribution system. which traditionally wastes at least 30 per cent of the crop. Milk and meat are given the same detailed attention.

The task of quality control fell to

Mr Terry Williams, who says he has scoured enough farms and dairies in the past year to compile a telephone directory of Moscow agriculture. Most of the time, he insists, it was just a question of time spent tracking down good enough suppliers. "This is a huge country and we know we can find what we want, we just have to bring it here to Moscow." Nearby collectives produce "fantastic" cucumbers for the pickles and "just great" lettuce, he says. To find the right beef, however, McDonald's has not only had to find the right livestock farm, but feels obliged to handpick every animal sent to slaughter. For sugar and flour, the company has had to rely on Mossoviet to win it

allocations in the Soviet economic

plan, and must live with the uncer-tainties of the arrangement.

McDonald's is importing items which cannot be produced locally: all the packaging, for example, and ingredients such as mustard, tartare sauce and fish fillets. This means that while revenues are still all in routiles, some of the running costs continue to be reckoned in hard currency.

reckoned in hard currency.

"The revenue here will be the highest in the world," Mr Cobon declares.

"The minute we open the door we will start making money" — in roubles.

McDonald's is guaranteed a royalty payment in hard currency, though this is only payable once the joint that the point the payable once the

venture itself begins to earn foreign exchange.

A second McDonald's restaurant to be built in Moscow will have seven floors of offices above it for letting to foreign businesses for hard currency. The surplus capacity of the food pro-cessing plant, ultimately capable of supplying 20 restaurants, can be used to supply hard currency hotels with French fries and other foods. Finally, there are hopes to export some of the processed food products.

McDonald's has driven a hard bargain on management practices. The company insisted on employing part-time workers, in defiance of all Soviet labour laws. The result is a chean and cheerful staff of Soviet students, each working no more than three or four hours a day. In spite of low wages (Rsl.50 an hour), there were 27,000 applicants to work in the

All the successful applicants have been put through a classic McDon-ald's brainwashing, exposed to hours of videos of happy, smiling staff in western restaurants and learning how

to say "have a nice day."
Unlike McDonald's workers elsewhere, however, almost all the Moscow staff are unionised. This is de riqueur in the Soviet Union. They also have a workers' collective and a col-

lective agreement.

The top four Soviet managers spent
no months at Hamburger University
in Chicago from which they emerged with flying colours. They spent more than 1,000 hours each training on the floor. Twenty-five assistant managers spent three months each in Toronto. McDonald's brings with it the full company system of bonus payment for productivity, something which its Soviet partner has accepted.

So what benefit will the whole operation bring to the Soviet-Union, apart from queues through Pushkin Square which will probably be longer than those for Lenin's mausoleum? There could be a spin-off on the farm, if better seed crops and harvesting techniques catch on. And perhaps the part-time employees and Soviet man-agers will go out into the Soviet system and spread the gospel of hard

Yet the exercise is still only an island of western management culture in a sea of Soviet bureaucracy. The customers may pay in roubles but the company attitude remains: do it our way, or not at all.

Every customer in the queue out-

side will get a pamphlet telling him or her just how to behave when they reach the 27 cash tills. What is an order to take away? And why are there no knives and forks?

Yet some things about the Soviet system just cannot be avoided. As a McDonald's vice-president sat at the teenth press interview of the day, he was transfixed by the sight of a cock-roach weaving its way past the pack-With a swoop, he had it, flung it in

the hin, and desperately thought of an

"You see," he declared with a grin.
"In Moscow, everybody wants to be at
McDonald's."

#### DeVille sees it through

Although he is not eligible to take part, a debate in the House of Lords today should be a high point for Sir Oscar DeVille, the 64-year-old chairman of Meyer International.

Meyer is the UK's leading distributor of hullding material.

distributor of huilding materials and timber, but the debate has nothing to do with that. It is about education and train-ing. DeVille's interest is that he was the chairman of the review of vocational qualifications, whose recommendations in 1986 are leading to funda-

mental changes in the English approach to education.
"It was a matter of hridging the gap between the vocational and the academic," DeVille says. Today he believes that the battle is almost won. "You had to go for the hearts and had to go for the hearts and minds of all the people involved. The specialists have been won over, most of the head teachers, and the personnel directors. Now it is a question of going for the managing directors and finance direc-

tors."
The report of the DeVille working group is still worth reading. It found not so much that there was a shortage of vocational training in England and Wales, but that it was higgledy-piggledy and unco-ordi-nated. That may have been an understatement. One table shows that more than 40 per cent of the work force in 1984 had no formal qualifications whatsoever, academic or voca-

tional. The group called for a national framework in which all vocational training could be viewed as a whole. What impressed DeVille was the speed with which the recommendations were accepted by the Government. It meant that training was being taken seriously at last, he says. DeVille became chairman

of the newly established

National Council for Voca-

tional Qualifications, though there is also a chief executive **OBSERVER** 

in Professor Peter Thompson. so DeVille has time for Meyer. Having spent the first 16 years of his working life at the Ford Motor Company, DeVille remains ambitious. He would like to see the new vocational training having something to teach the French and Germans by the end of

#### Wrong move

■ George Cohon, the 52-year-old President of McDonald's Restaurants of Canada and the man responsible for taking Big Macs to Pushkin Square, had a story to tell at the celebratory dinner in Moscow last night. His father was born in the same town in the same year as Leonid Brezhnev. The Soviet Union might be a different place, Cohon often says, if the Brezhnevs had left and the Cohons stayed.

Gurkhas' pay

■ Gurkha fighters retiring from the Army and returning to the far-flung Himalayan kingdom should thank high-tech for their pensions. For the payments to the 20,000 British Gurkhas and their dependents in Nepal involve a remarkably complex interna-tional operation. It has just been fully computerised.

The pension rate each year is worked out by the Indian Government (there are also 50,000 indian Gurkha pension bolders) and passed on to Kathmandu, which in turn informs the Adjutant General's

office in London. Next, Chinese clerks led by British corporals in Hong Kong re-calculate the individual pensions - to incorporate retroactive changes made in 1987 to such items as gallantry awards and trekking allowances. This data is relayed to the three centres in Nepal. There



They left me behind to stop you cutting the wire."

the payments are made on a quarterly basis. However, since many claimants may have to trek for weeks from remote areas, pensions (a minimum of Rs 350 a month) are held for up to three years before

they lapse.
A friend tells me that some veterans are given just enough money for a drinking spree when they arrive, and collect the rest of the pension after sobering up for the long trek

#### Absent Exxon

■ Hard not to feel sorry for Joseph Hazelwood, captain of the Exxon Valdez when the tanker spilled almost 11m gal-lons of oil off Alaska last March, as he pushed through the television cameras to begin his trial in Anchorage.

Surrounded by about 80 jour-nalists in courtroom C, Hazel-wood looked distinctly isolated. Indeed opinion in the US seems to have changed since the oil spill was at its height. The feeling now is that it is unfair for one individual to take the

At the time of the disaster, Hazelwood was vilified as Environmental Enemy No 1 became the butt of almost every American comedian. ("Why did Hazelwood run his ship on to Bligh Reef? To get some ice for his margarita.") Since then sympathetic

articles have appeared in the national and even the Alaskan press casting doubts on the claim that Hazelwood was drunk or acting recklessly when the tanker ran aground, two of the main charges he

A poll published in the Anchorage Times showed that, while most Alaskans still want while most Alaskans stril want him to be punished, only 8 per cent think he deserves a long stretch in prison.

The clue to the shift in opin-

ion was contained in the same poll. More Alaskans put prime responsibility for the spill on Exxon rather than Hazelwood. Yet the US's biggest oil com-pany, which sacked Hazelwood shortly after the disaster, is the party notably absent from the courtroom this week.

#### Up for air ■ East German swimmers used

to be heroes. But there may have been some cheating. A recent book, Gnt Reactions: Understanding Symptoms of the Digestive Tract, published by Plenum, alleges that some of them have had up to 1.8 lit-res of air pumped into their intestines to improve buoyancy. The benefits were con-fined mainly to crawl and backstroke swimmers. One breaststroker complained that his gas-filled insides caused his feet to stick out of the

All over now, of course,

#### Familiar

Two yupples in a wine bar. one says: "Isn't it terrible what's happening in Nagorno Karabach?" The other replies: "Why, is there no snow there either?

# STYLE.





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'Neighbours' and 'Home and Away:' Vivean Gray as Mrs Mangel and Sharyn Hodgson as Carly

**TELEVISION** 

### Soaped up from Down Under

and acknowledge Bobby as her daughter. Even though Harold and Des will resume their partnership and go ahead with the restoration of the coffee bar, they will have another big row, this time about employing Joe Mangel. Nicholas is clearly about to get very heavy (or very sly, or both) with the Fletchers now that they have decided not to sell the caravan park, and this will lead to an even bigger quarrel between Nicholas and Stacey. The quantities of coffee and lager drunk during 1990 will be

enough to float the Australian navy.

Those are some of my predictions for Neighbours and Home And Anony, the two Australian soap operas which are now ehown every weekday in Britain, the first on BBC1 and the second on ITV. Neigh-bours was launched on Channel 7 in Australia in 1985, and first ehown in Britain in October 1986. One day in 1987, when Mich-ael Grade was still the BBC's director of programmes, his daughtar complained about the difficulty she and her friends had in taping either the lunchtime origination of Neighbours or the breakfast time repeat on the following morning in order to watch after school each evening. Grade (whose flair for scheduling has

always seemed to come more from the seat of the pants than from pie charts or com-puters) decided to move the daily repeat from breakfast time to teatime, and thus gave birth to a monster. The Top 50 BARB list for November 1989 (actually the five weeks ending 3 December) shows Neighbours occupying 25 slots. And in each of the four weeks running up to Christmas, Neighbours made a clean sweep of the first five places in the BBC Top 10, with aggregate audiences - origination added to repeat - averaging around 18.5m. The only programme on any channel scoring consistently higher ratings was ITV's Cor-

In Australia Channel 7 dropped Neighbours after only six months and was then obliged to watch it grow into a huge success on the rival Channel 10. So in 1988 Channel 7 launched another soap opera called *Home And Away* which, in some cases, when transmitted directly against Neighbours, won the higger audience. ITV bought Home And Auony to Britain in February 1989 and today it too is given a burchtime origination (12.30) and a teatime repeat (6.00pm) which, not by chance, allows soap addicts to watch Neighbours on BBC1 and then switch straight over to Home And Away.

The most useful aid to watching these soaps is a teenage daughter. Holly Dunk-ley watches both with a dedication which makes her study of History and Art History A-levels look casual, and for the last three weeks she has taped both series for me. This is much the most efficient way of watching them. Using the Fast Forward button to zap out opening titles, closing credits, commercials, and the overlap at the start of each episode, you find that each programme is reduced to 20 minutes,

and a week's supply of both series lasts not five hours but three hours twenty min-

And, for FT readers who are working all And, for FT readers who are working all day, lack teenage daughters, and have never seen a single episode, what is it that makes these series so popular? There is not, of course, a simple single answer. They are not at all like the glitzy American melodramas Dallas and Dynasty, but much more like the English soap opera Crossroads. This is hardly surprising since Reg Watson who launched Crossroads and produced it for 10 years is an Australian who returned to his homeland in 1975 and who returned to his homeland in 1975 and became head of drama at the Grundy Organisation: producers of Neighbours.

Lika Crossroads tha Australian soaps rarely move their characters outdoors. Once in a while Home And Avory has a pretty beach scene with lots of surf in the background, and we have recently seen Mrs Mangel in the park. But the overwhelming hulk of the time is spent in a standing studio set, on a 2-shot or a 3-shot. In addition to being attracted by the big ratings, channel controllers must be seduced by the fact that these series are —

presumably — wonderfully cheap.

Perhaps the most noticeable similarity between Crossroads and the Australian soaps is the archness of the dialogue: much of it aounds as though it was invented by writers who have never heard real people talking, but have been raised on an exclusive diet of women's magazine on an exclusive diet of women's magazine fiction. Characters use phrases such as "delicious aroma," "suffice it to say" and "here am I, a mother spurned;" and the actors are required to deliver without wincing sentences such as "There's a ruthless business brain under that pleasant exterior" or "I've made a resolution: not to let stubborn pride keep me from someone I care about" and even "I never did see why I should resort to "I never did see why I should resort to

Much of the time events are mundane to tha point of tedium. Dramatic moments during the last few weeks on Ramsay Street, home of the *Neighbours*, have included Harold (pompous, prissy Harold, Scoutmaster, stalwart of the church, and proud owner of a new exercise bicycle which I predict may soon give him a minor heart attack) complaining about the noise from a teenage party; and the sponge cake contest being won by neither Madge nor Mrs Mangel, but by young Sharon. It is not true, bowever, as commentators

have frequently asserted, that "nothing ever happens" in Ramsay Street or Summer Bay, the seaside setting for Home And Away. True, you do not get regular murders or the return from the dead which we now expect in Dallas, but you do get a mugging (Beverly has just been mugged in Neighbours and miscarried) or a dramatic discovery concerning illagitimacy (Morag turns ont to be Bohly's mothar) as well as such continuing dramatic events as alcoholic Carly going through cold turkey. It is the confident handling by the

fictional characters of modarately dramatic events such as these, I suspect, which may give the clue to the popularity which may give the clue to the popularity of these series — especially among teenagers. Most people who have lived in sfamily would acknowledge that communication, sympathy, understanding, quiet analytical discussion and harmony between the generations were notable for their rarity. In the Australian soaps life is rather different. When Tom Fletcher is rather different. When Tom Fletcher befored \$350,000 for the caravan site he calls a family conference and everyone calls a family conference and everyone — down to the smallest child — sits round

the table and has a vote. Just like an Enid Blyton story.

And although the characters do fall out and argue, even screech at each other quite like real people, they then, more often than not, talk the problem through and reach some happy solution. The most striking way of all in which these dramas differ from real life is that it seems to be the teenagers who are the diplomats, the peacemakers, and tha solution finders. When Harold and Des row about the coffee bar it is young Mike who keeps a level head and recommends compromise.

Although the idea later misfires, Scott kindly ghost-writes a love letter to Bronwen for Henry. ("No probs!")

When you remember that for these teenagers the sun always shines; long, fair, permed hair is the norm (for boys, anyway); there is plenty of private space for everybody; and they are able to talk about sex like a bunch of worldly-wise agony aunts, you begin to realise that what we have here is a fantasy which suits beenage girls (and many boys, no doubt) down to the ground: a cross between Valley Of The Dolls and Noddy in Toyland. The emotional excitement of the former and the cosiness and security of the latter make a highly successful

If you are 15, chronically short of pocket money, fed up with English rain, furious at your Draconian parents who won't even let you stay out at the disco until 1.30, baffled by the very title of the essay you are supposed to write, and anxious to succeed with boys but appalled by their macho cliquishness, then the Australian soaps must look a little hit like Nirvana. In Summer Bay and Ramsay Street tha 18-year-old boys treat eight year old girls with sweetness and charm, and are tremendously approachable generally. The girls deal effortlessly with their bomework while carrying on grown-up love affairs, and the adults seem to look to the teenagers to hold together the fabric of

society.
With those sorts of attractions on offer, who cares that the characters are two dimensional, that they are either priggish and silly (Mrs Mangel) or brittle and ambitious (Stacey) or funny and loveable (Henry) hut never ambivalent and contradictory and complicated like real people? Real life's real enough, isn't it?

### Calling the tune on the South Bank

Forty years ago, as the Royal Festival Hall on London's South Bank neared completion, it was suggested that the London Philharmonic Orchestra should become the orchestra in residence. The

become the orchestra in residence. The plan floundered.
Yesterday an advisory panel chaired by Sir John Tooley, former supremo at the Royal Opera House, recommended to the South Bank Board that the LPO should become the resident orchestra of the Festival Hall. There is no guarantee

of the Festival Hall. There is no guarantee that history will not repeat itself.

The regime that inherited the South Bank after the disappearance of its previous landlord, the Greater London Council, has proved fruitful with ineas—the best being that the archaic concrete mass be hidden beneath 1990s designer patina. It has also pursued the concept of a house orchestra, which would improve playing standards and allow it to present more imaginative. it to present more imaginative programmes.

It is no secret that the chairman of the Board, Mr Ronald Grierson, favoured s dual residency, shared between the LPO and the Philharmonia. These were the unly two orchestras to apply for tha advertised residency. In the event, Sir John's panel came down in favour of a more economical single residency and preferred the LPO.

But the negotiations to ease the LPO into the joh are only now beginning. There are many problems. For a start the South Bank Board wants a say in the appointment of a new music director for the LPO. Fortunately the LPO is without such a director at the moment

without such a director at the moment so this might be agreed. More contentions will be the funding of a house orchestra, estimated in cost \$700,600 a year by the antumn of 1992 when the scheme is expected to start. The South Bank will find some of the money; the LPO, which will gain valuable extra sponsorship income from the appointment, can contribute its mite; hnt it will be np to the Arts Council to foot most of the hill. Although it approves of the objective it is reluctant to aid the LPO at the expense of the Philharmonia, or even the other two London orchestras, the RPO and the LSO.

Then there is the matter of programming, in which Nicholas Snowman, artistic director of the Sonth Bank, will expect to play a part. The LPO will give up to 60, very varied, concerts a year in the Festival Hall, as against the average of 40 at the moment. And, although Ronnie Grierson will take oo part in the negotiations, his views will obviously carry weight with his

If the proposals are successfully negotiated it will lead to profuund changes in the musical life of London. For a start the Festival Hall will be closed on 67 nights a year for the additional rehearsals needed for the LPO to reach perfection. At the moment the Hall is dark on unly a dozen occasions. It will also reduce the playing opportunities in the prestigious Hall of both the Philharmmia and the RPO. The former's 40 concerts a year will fall to around 25 and the the concerts from the RPO will halve to 15. Hnwever, the Philharmonia has heen given the valuable sweetener of heing allowed to rehearse in the Hall, which will save it time and

All four London orchestras will survive, hnt the LPO and the LSO (resident nrchestra at the Barbicen) will find life much easier. The RPO will continue its policy of looking towards higher box office and recording work to stay in business, while the Philharmonia will still be backed by the Arts Council, which likes its commitment to experimental wnrks. Once again a report on music in London has come no with almost as many questions as answers.

Antony Thorncroft

### Don Giovanni

GREENWICH THEATRE

"I'm Donald - or Don -Giovanni," leers Mark McGann in his rakish white suit, and those purists in the audience not already rigid stiffen with disapproval.

Mozart's dissoluto punito is the latest to undergo the Car-men Jones treatment. Nick Broadhurst (book) and Tony Britten (lyrics and musical direction) turned Figuro into a musical for a successful West End run some years ago. Like its predecessor, this Don replaces recitative with dialogue, boasts sometimes vio-lently modern language and makes surprisingly few musi-cal cuts. What music remains is scrupulously executed, both arias and ensembles, by a musical theatre rather than opera-bouse cast.

The six-strong onstage band busiles through the Catalogue Aria (vice the overture), and Sally Crahh's metallic panel design with its unadorned fireescape balconies plunges us into a world as gracelessly, inhumanly functional as well, modern Britain. As Leporello Terence Hillyer (the com-pany's Figaro) is a cockney fixer in trainers and tracksuf with a windcheater whose pat-terned squares faintly evoke Harlequin. The translation is brilliantly colloquial and fluent

- Mr Britten should polish up
the English versions at more
august institutions - and
respects the character of both drama and music.

These non-operatic voices are light, but careful and accurate (only in the exquisitely sensuous maskers' trio does one note a yowling quality). The production goes hell for leather for theatrical impact and generally succeeds, though Elvira's sexual byplay with the disguised Leporello is a blt mnch, as are jokes about panicky bowel-movement and pre-mature ejaculation. A vein of



Kelly Hunter and Mark McGann

ugly sexism, apt in this of all operas, is thrown into relief by the modernisation, not least by the brilliant metamorphosis of the peasants into a lager-swilling yob of a Masetto (Billy Hartman) and a punky Doc Marten-booted Zerlina in Kelly Hunter - marvellous; but she must beware of flattening effect, or pulling the rhythm about: "Vedrai carino" almost became a torch song.

We lose balf "Batti, bstti" and all "Dalla sua pace;" a shame, since Simon Butteriss, hlossoming into one of our most consistently intelligent young comic actors since The

Metropolitan Mikado, takes a fascinating shot at that wim-pish stick, Ottavio. Played validly as a chinless wet, faintly embarrassed by womanly hys-terics ("Pull yourself together, kitten"), swearing on his cricket hat to avenge Anna, he passes the acid test of those fatuous interjections in Anna's account of the rape attempt in the accompanied recitative ("Don Ottavio, son morta!") preceding "Or sai chil'onore." The outraged prurience is ulcely judged; that clueless cry of "Ohime, respiro!" - which provokes mirth in the best reg-

ulated opera-houses - is here

"For that thank heaven!" and

rightly serious. Mr Broad-hurst's production errs in playing "Il mio tesoro" for laughs. Mr Butteriss' voice is tight and wiry but evenly !:nit and agile. The hreath control and accuracy in the runs knock spots off the specialist Mozart tenor in the latest

From Phantom of the Opera Jan Hartley Morris is a lytical Anna with a secure, well-covered top register that serves her well in "Non mi dir." The vengeance aria is gentle, introspective, almost brooding, and in the context works well. Sarah Payne's smart-suited Elvira, arriving with chic lug-gage, embodies Roy Lichtenstein augst, the sullied fallen woman of innumerable B features in the Claire Trevor or Marie Windsor mould. Again, a small voice used carefully negotiates both "Fuggi il tradi-tor" and "Mi tradi" to theatrical effect.

On the first night the work

might have been rechristened Leporello. Mark McGann's Giovanni suffered the after effects of a throat infection and the colourless vocal dryness seemed to inhibit his charac-terisation. Mr Hillyer's wide boy dominates the production, especially in the wickedly updated catalogue of his master's conquests; in Birmingham 640, Brighton 230, 90 in Leeds, 400 in Nottingham, but in London - ah, in London son già mill'e tre. In deference to this audience's sensibilities, however, "in Greenwich be gave up at 20." Whatever the purists may say (and if a fashionable name from international theatre had been attached. I suspect they would be swooning), this is a performance with its own excitement, consistency

Martin Hoyle

### Tippett's Suite for 'New Year'

Just after the 85th birthday of Sir Michael Tippett (January 2), the San Francisco Symphony, under guest conductor Muhai Tang, gave the world première of the composer's "Suite from *New Year*," com-missioned by the orchestra. In Christopher Dunkley preliminary remarks spoken from the stage, the composer.

on hand for a week-long celebration of his music, described the new work as derived "mostly" from the music of his Houston last October.

exuberant, generally fast-paced, bountiful score (wesv-

fifth and most recent opera. The New Year Suite is an

ing a dense fabric of musical ideas into a span lasting just under half an hour) in which the grittlest kind of realism (snare drum strokes as gunshots in the Terror Town scenes) mingles with magical dreamscapes and yearning visions. Its propulsive energy informs even the most atmospheric pages of the score, which maintains a high pitch of excitement without resort to sensationalism.

To anyone who has not experienced the opera (this writer included), the piece is initially baffling. Its 13 sections, played continuously, ere not always easy to differentiate (even with the score in hand). But even without the verbal and scenic associations, the Suite (like Tippett's operas) reveals its own meanings, even logic, on repeated bearings. Multiple listenings to a broadcast tape with score have convinced me of the integrity of the work - and more, of its hsunting

Without raiterating the opera's story, the suite, programme music in the hest sense, tells one its own, forcefully and eloquently. It comes in a kind of plastic wrapper: some musically undistin-guished taped sounds representing the landing and take-off of the apaceship from "nowhere." A stronger frame is provided by its outer sections.

phones and electric guitars (instructed to stand while palying as they would in a jazz ensemble). Tippett's strains of reggae – and ska-influenced music have been criticised for not sounding like the "real thing," hut the same could be alleged about Mahier's Landler and Scsrlatti's fandangos (among countless other examples). It strikes me as colourful, arresting, and effective.

The music for more conven-tional orchestral forces, including all of Jo Ann's, is rich in both invention and cross-reference. Thematic material is traded hetween sections and soloists smoothly and tellingly. and, on successive hearings, particular rhythmic figures the strings assume the profile and potency of familiar characters.

Shangbai horn and trained guest conductor Tang led a confident, prohing reading at the première, eliciting a reak performance from the Symphony musicians. The Suita merits a place in the repertory which it will achieve only if like the opera, it is performed often and well enough for it to yield up its many-layered mys-

Too characteristically, the Symphony sugar-coated the daunting new work hy playing it between performances of the Elgar D-Major Pomp and Circumstance March and Rakh-maninov's Second Symphony. It compensated, the fullowing Sunday, with a chamber con-cert of Tippett's music at Old First Church. The fare was mostly early Tippett: the "Pre-ludio al Vespri di Monteverdi" (1946), the song cycle The Heart's Assurance (1948), and the String Quartet No.1 (revised version, 1944). The concert's peak came with guitarist David Tanenbaum's deft. mercurial performance of The

Blue Guiter (1983).

Timothy Pfaff

#### **ARTS GUIDE** THEATRE

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K. Mikael Heiniö for details. FINANCIAL TIMES



Anything Goes (Prince Edward).
Cole Porter's silly ocean going
1880s musical has four or five
marvellous songs and Elaine
Paige failing to emulste Ethel
Merman. Jerry Zak'a desperately
bright production comes from
the Lincoln Center in New York
and is underwarding fare (TM and is undemanding fare (734

and is undemanding fare (734
8851, cc 336 2428).
Jeffrey Bernard is Unwell
(Apollo). Brilliant performance
by Peter O'Toole as an alcoholic
journalist who embodies a Falstaffian, nay-saying life force
while committing public suicide
by vodka. Keith Waterhouse has
stitched a fine play, the season's
highlight, from Bernard's own
writing, Ned Sherrin directs
(437 2663).

(437 2663). The Good Person of Sichman The Good Person of Sichman (Olivier). Magnificent National-Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only dn good by adopting a victous disguise. If poverty is not combated by political systems, what can an individuasystems, what can an individu-al's compassion do? Witty new translation by Michael Homan translation by Michael Hofmann. From Shaw leads a fine cast in a play new-minted for the 1990s. Jan 29-Feb 3 (928-2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge,imported from Chichester, of Sondham's 1978 schlagobers version of a Bergman fillm. A beautiful score, composed mostly in waitz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years). Peter McEnery and Susan Hampshire (987-1118).

her Time (Wyndham's).

(867 1118).

New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that taleant is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (887 1116). (867 1116). M. Butterfly (Shaftesbury). Peter

M. Butterny (Shantesday). Feter Egan has taken over from Anthony Hopkins es the tortured diplomatic hero in a Peter Shaf-ter-style "spectacle of ideas" dressed up in John Dexter's dressed up in John Deater's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's

Wales). Andrew Lloyd Wenber's latest is an intimate chamber operated derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouclance. A probable, but unspectacular, hit

**New York** 

Heddi Chronicles (Plymouth).
Wendy Wasserstein's award-winning drama covering 20 years
in the life of a successful American beby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral
ambitions in the 1980s, accompanied by the musical and emotional flavour of the period
(229 6300). (239 6200). Gypsy (St James). This 30th anniversary production does more

then revive a rich, vivid musical; then revive a nich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for berself (246 0102). Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at nake of the Garbo film to at least shake the bones of this inert depiction of lives crisso

ing in an elegant, but somewhat random setting (246 0102). Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big into opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local

London, but nnw with a local cast led by Philip Bosco and Vic-tor Garber (239 8200), Jerome Robbins' Broadway

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. Tha lustre of tha credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical. Rumours (Broadhurst). Neil Simon's labest comedy is a self-conscious farce, with numerous conscious farce, with numerous slamming doors and ints of mugging hut hollow humour that misses as often as it hits. Chris-tine Baranski leads an abullient cast in the inevitable bot disappointing hit. Cats (Winter Garden). Still a sell-out, Trevor Nunn's produc-tion of T.S. Eliot's children'a

poetry set to music is visually startling and choreographically feline (239 6262). A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater Joseph Papp's Fuont Theater. for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than

emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic aweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200). (239 6200). Me and My Girl (Marquis). Even

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Phanium of the Opera (Majestic). Francism of the Opera (Majestic) Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200).

Chicago Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dry-ers in a busy hairdressing estab-lishment (988 900)). Winter's Tale (Goodman). Frank Galati directs a production thet

January 26-February 1

spans the ages, interpreting Shakespeare as running from Ovid and television. Ends Feh 17 (443 3800)
I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herh Gardner's memorable Central Park character who pages his was Park character who gags his way through the 1996 Tony Award winner. (348 4000). The Good Times are Killing Me (Body Politic). This City Lit pro-duction of Lynda Barry's first play captures an American child-hood with polgnant zaniness

Tokyo

Kabuki. Kabuki-za. Performances at 11am and 4.30pm. Of the three pieces in the matinee, the most famous is Funa Benkei (Benkei famous is Funa Benkei (Benkei in the Boat), which is set on a kabuki versinn of a noh stage. The evening programme festure two short dance pieces and a full-length drama, Sannin Richiza (Three Men Called Richiza), an amusing and action-packed genre piece about three bandits who all have the same nama. who all have the same nama. who all have the same nama. One of them is a young pick-pocket who disguises himself as a woman — a virtuoso performance by the versatile Kikugoro. Earphone guide in English. (541 2131).

Modern nah plays by Yukio Mishima. Two plays (Sotoba Komachi and Kantan) which use the traditions of Japan's classical theatre to highlight themes of theatre to highlight themes of nur own times. Performed (in Japanese) by Yukio Ninagawa's company to mark the 20th anni-versary of Mishima's death.

a Prelude evoking the lurking (and manifest) menace of Ter-ror Town and the paired two final sections, The Beating-Out of the Scapegoat (the Bad Old Year) and the Ringing in of the New Year, with its distant, eerie "Auld Lang Syne."

The core of the suite focuses on the music of Donne and Is

on the music of Donny and Jo Ann, the opera's foster-chil-dren protagonists. Donny's music, in particular the Sha-man Dance and Donny's Skarade, use tha same augmented instrumental forces of the opera: a large percussion sec-tion and ensembles of saxo-

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### FINANCIAL TIMES

Wednesday January 31 1990



### Bush 'to propose new troop cuts in Europe'

By Lionel Barber and Peter Riddell in Washington

PRESIDENT George Bush is tonight expected to announce new proposals to reduce US and Soviet troops in Europe helow the levels currently being discussed in the Vienna conventional arms talks.

Mr Lawrence Eagleburger, deputy secretary of state, informed Mrs Margaret Thatcher, the British Prime Minister, of the oew plan dur-ing a visit to London on Monday. Other European leaders are believed to have been told ahead of the expected disclo-sure in Mr Bush's State of the Unioo address to Congress late

this evening.

The timing of the announcement could be affected by last night's reports hy CNN televi-sion that Mr Mikhail Gorba-chev is thinking of standing down as Communist Party down as Communist Party leader, though remaining as president of the Soviet Union. This comes ahead of next week's meeting of the party central committee and amid widespread criticism of the leadership's handling of the economy and nationalist trou-

There was no confirmation from Moscow last night, and the US State Department said Mr James Baker, the Secretary of State, still planned to go to Moscow later next week. The US is anyway becoming

DEFENDING the central front

in West Germany is costing the

UK almost as much as it

spends on defeoce of its own territory and its naval

operations in the eastern

Atlantic and the Channel put

together. This is made clear in e

hreakdown of the costs of

Britain's main defence commit-

ments, contained in a policy document on planned expendi-ture released by the UK Gov-

ernment yesterday. The paper gives fuller details of Britain's spending plans for

the financial years from 1990-91

to 1992-93, agreed at the time of the Autumn Statement last

By David White, Defence Correspondent, in London

Eastern Europe are spinning out of control posing fresh

increasingly concerned that events in the Soviet Union and problems for discussions on the future of Europe. Senior US officials are worried that the East German state is in danger of collapsing, making much

ernment expenditure, less pri-

vatisation proceeds, is set to rise to £215.4bn (\$362bn) and account for 39 per cent of UK

gross domestic product in 1990-91, compared with an esti-mated £200.7hn or 38.75 per

cent of GDP in the current

financial year to the end of

The figure for Britain's com-

mitment in West Germany -

treaty governing the nine-na-tion Western European

Union - is likely to play a prom-

inent part in the growing

debate about the future of the

69,000 British servicemen sta-

The figures include man-

tioned there.

It confirms that general gov- power, the procurement and

which is enshrined by the

James Baker: visit to Moscow and Prague next week

UK spells out cost of forces in Germany

support.

more difficult an orderly framework for reunification with West Germany.

Current discussions have been overshadowed by uncertainty over the position of Mr Gorhachev. US officials want to establish how far he can go, and is willing to go, in accept-

President Bush bas heen under pressure to propose deeper cuts in US forces in Europe in view of the apparent reduction in the Warsaw Pact

operating costs of equipment,

and capital works, as well as a share of the cost of general

The cost of the British Army of the Rhine and RAF Ger-many, including reinforce-ments, and the UK military

contingant in West Berlin is

put at £4.35bn for the current financial year, making by far

the largest single defence com-

Maritime operations in the Atlantic and Channel regions

were costed at £2.59hn, and

defence of the "home base" at

£1.16bn a year on its strategic nuclear deterrent its Polaris

Against these costs, Britain

estimated to be spending

threat since last May when the Nato alliance agreed its cur-rent position. The west has called for cuts in US and Soviet troop numbers to 275,000 each, involving an asymmetrical adjustment on the Soviet side. Senator Sam Nunn, the

highly influential Democratic chairman of the Senate Armed Services Committee, has said the US can afford to bring down its forces in Europe to between 200,000 and 250,000. Mr Bush's new proposal is aimed at winning over Mr Nuon and other Congressional leaders at a time of considerable pressure to cut defence spending.

This revised position does not mean that the US is pulling out from its defence commit-

ments to Europe and is likely to be presented as a cautious, though realistic, response to the reduced Warsaw Pact threat, accepted even by many

conservative Republicans. While alliance leaders naturally welcome the fall of communist regimes in Eastern Europe, there is now increased concern about the resulting confusion and uncertainty.

A central theme of discus-

sions in Washington this week between Mr Douglas Hurd and Mr Tom King, the British For-eign and Defence Secretaries, and senior US officials has been the threat of freefall in

missile-carrying submarines and work on their Trident

The figures also reveal that the cost of defending the Falkland Islands, at £73m, is less than Britain currently spends

on its garrison in Gibraltar

(£82m) or its presence in Cyprus (£94m).

The paper points out that the costs "would not necessar

ily all be saved if the commit-ments were abandoned."

It reaffirms plans to raise Britain's total defence spend-ing to £23.43bn in 1993-3, com-pared with an estimated outlay

for the current year of

Britain cuts spending on EC

replacements.

Eastern Europe. Apart from East Germany, the main immediate concern is Romania where the State Department has warned pub-licly that "there should be no backsliding on the part of tran-sitional officials as Romania moves from revolution to

The State Department has been discussing whether a visit to Bucharest should be added to next week's trip to Prague and Moscow hy Mr Baker. But this now looks increasingly unlikely since Mr Baker will not want to get caught in the middle of feuding factions.

Western policymakars believe there is an urgent need to agree a framework for dis-cussing both German reunifica-tion and broadar East/West

These developments have given increased importance to the meeting of foreign ministers from both Nato and the Warsaw Pact in Ottawa in two weeks' time. This conference Warsaw Pact in Ottawa in two weeks' time. This conference has been called to discuss the US's so-called 'Open Skies' proposal to permit mntual aerial monitoring of troop movements. But the western ministers are now, in addition, interested in meeting the new foreign ministers of the emerging democracies of Eastern Europe.

#### **Tumbling** bond prices push 'deal' stocks lower

By Anatole Kaletsky in New York

COLLAPSING confidence among takeover speculators and rumours of financial pres-sures on some arbitrage funds yesterday sent "deal stocks" tumbling on Wall Street for the second day running.
The almost chaotic condi-

tions in the takeover market were described as "the other shoe dropping," after the col-lapse of junk bond prices which began last autumn and

reached a climax this week.
Yesterday the junk bond
market appeared to be stabilising and sentiment seemed to be improving among equity investors. But attempts by some arbitrageurs to liquidate their heavily loss-making positions in companies like UAL Hilton Hotels and Holiday Corporation, were met with what one trader described as a "buying vacuum". This caused a free-fall in prices which took many takeover stocks down by five to 10 per cent within min-

utes of the opening bell.

The worst hit stock was UAL, the parent company of United Airlines, whose aborted leveraged buy-out precipitated the stockmarket's "minicrasb" last October. UAL shares fell another \$16% to \$120½ in heavy trading. This meant that UAL's stock had fallen 25 per cent in the last three days of trading. Hilton, whose board was

meeting yesterday to consider its response to disappointing hids for its hotel and gaming properties, was the next big-gest loser, falling \$24 to \$574, for a total fall of about 15 per cent in the last week, MGM-UA, the movie com-pany which has been on the anction block for most of the past year, lost 10 per cent of ita market value in a few

Arbitrageurs referred to "across the board liquidation" by some of their number and said that there were signs of some forced sales by over-ex-tended investors. The sharp falls in UAL stock in particu-lar, may have led brokers to press speculators for more margin funds to support their underwater stock positions. However, Mr Laszlo Birinyi of stockmarket analyst Birinyi Associates, said that only lim-

ited liquidation was going on His calculations suggested that much of the forced selling appeared to have been done on

Yesterday's even steeper price falls were more attributable to the absence of buyers than the pressure of sellers. Market watchers agreed that the collapse of takeover stocks was closely related to the plunge in the junk bond mar-ket which followed last week's decision by Moody's Investors
Services to downgrade the
bonds of RJE Nabisco.

This latest fall, which has
pushed RJE's casb-paying
bonds down by 12 per cent in

the last four days, was expec-ted to make financing very hard to come by for takeovers and other leveraged restruct-urings While junk bond analysts said the market had over-raacted to Moody's amouncement, several agreed that RJR bonds might not recover benchmark status. See Lex; International bonds,

The growing pain of big companies

quarterly trends survey is why arge companies have suddely become so pessimistic. On exports, companies with more than 5,000 employees report a sharp deterioration in both orders and confidence; small companies are experiencing

companies are experiencing increases. Domestically, large companies note a particularly sharp fall in demand; small-companies see a leveling off.

Those findings run counter to received wisdom that smaller companies have been suffering more than large. The argument has been that small companies are narrowly companies are narrowly focused by product and geo-graphically, and are thus more exposed to a UK economic downturn. Such was the expe-rience throughout 1989, with small companies underper-forming in terms of results and

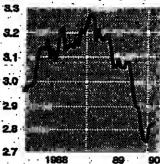
share prices. Another element in the puzzle is the role played by the overseas subsidiaries of large companies. If demand is failing in the UK, one would expect manufacturers to switch investment to overseas markets. But there would surely come a point at which it became efficient to use underu-tilised UK capacity to make goods for export to strong over-

Perhaps small companies are simply a more sensitive barom-eter of economic change. They were the first to experience the slowdown; large companies are feeling the effect later in the cycle. On that basis, the more optimistic noises from small companies are a sign that the slowdown will be short-lived. It is possible that the CBI figures are anomalous, being based on a large company sample of just 28. If they are not, the coming results season will contain bad news from more surprising sources than Coloroll or Laura

Deutsche Bank

After the Morgan Grenfell purchase, it was no great sur-prise that Deutsche Bank should make a call on share-holders again, whether or not the Frankfurt rumour mill was right to think it wants to buy a medium-sized French retail bank. So yesterday's news of Deutsche's new DML6bn rights issue is not the story; the important thing is the higher than expected 16.7 per cent dividend increase. It looks like a confirmation of hints from Mr Herrhausen last year that Deutsche wanted to give shareholders soma short-term rewards, as well as lots of long-term global empire build-

Sterling against the D-Mark (DM per £)



Not that German bank Not that German bank shares will become fodder for income funds overnight. On the theoretical ex-rights price of DM804, Deutsche's DM14 dividend for 1989 gives a yield of just 1.74 per cent. For the foreseeable future, Deutsche's attraction will be that it can offer a cheen and easy way to attraction will be that it can offer a cheap and easy way to buy the German equity market as a whole; its publicly disclosed investment portfolio of industrial boldings may be worth DM680 per share.

That and the buoyant West German economy explain the

German economy explain the 60 per cent rise in the group's share price in the last 12 months. But the dividend increase may protect that capital appreciation; and with analysis expectations of the process. lysts expecting a 15 per cent rise in underlying earnings per share in 1990, there is no rea-son why Deutsche should not raise the dividend by one sixth again in 12 months' time.

US arbitrageurs

As long as the US arbitrage community could bid up stocks like UAL, Hilton and Sea Containers on the slightest whiff of a deal, it was hard to be too bearish about Wall Street's immediate prospects. But the confidence of these risk-takers, or at least their bankers, seems finally to have snapped. Hilton shares have fallen by almost a third since the start of the year; UAL shares, which were already depressed after the col-lapse of last October's \$300 a share management led buyout, have fallen by another 25 per

Over the last couple of days the arbs have even been bail-ing out of Sea Containers, which seemed to have agreed sell the bulk of its business to two well-financed suitors. Unless Sea Containers' Mr Sherwood is going to do a complete about turn, which is not totally impossible, this reac-tion does not make much sense. However, US banks are

becoming increasingly many vous, enforcing tougher many vous, enforced tougher many vous, enforced tougher many vous, enforcing tougher many vous, enforced tougher many vous, enforced

Elf Aquitaine, Europe's third biggest integrated oil major, may be far less highly valued than its peers; but it has a new chairman who is committed to improving its rating. His first task was easy. Yesterday's massive FFr3bn provision for the Texasgulf investment, which marred an otherwise which marred an otherwise impressive set of 1989 results, is an overdue admission that Elf's overseas acquisition record has been disastrous. The next steps will be far more difficult. The breakup of the state-owned Orkem means that Elf is getting far more heavily involved in chemicals at a diffi-cult stage in the cycle. The ambitious commitment to increase oil reserves suggests that Elf might just be foolish enough to overpay for Enterprise. The possible purchase of Amoco's downstream operations in the UK makes more sense. But on e prospec-tive multiple of little more than six times, Elf cannot be seen to overpay to satisfy its

Beazer

Yesterday's 4 per cent drop in Beazer's share price in response to a mere £29m write-off might seem excessive in the context of net debt of over film. But it is unsettling to hear of the demise of an Australian investment whose existence could not have been inferred from the group accounts. Nor does it help to be reminded that Beazer's investments - from its purchase of French Kier and Gifford-Hill to its flutter in Blue Arrow shares – have proved disappointing more often than not.

The steep decline in the share price has been partly reversed in the past three months, chiefly because of Lord Hanson's demonstration through the sale of ARC's US assets of the value of US aggregates. And indeed, on a hisle 01 5.7 times - the sector average being eight - Beazer is not highly rated. But unpleasant little surprises like yesterday's

scarcely belp to restore the

group's credibility in the ayes of the market.

St 27 25

720° 5.

### Agreement on tariff cuts breaks deadlock

more than six months of bargaining, on a compromise procedure to negotiate import tariff cuts, egencies report from

Geneva.

A series of intensive private consultations at the 105-nation Uruguay Round of world trade talks produced an eccord which was adopted at a formal meeting of a group negotiating on tariffs, said e spokesman for the General Agreement on Tar-iffs and Trade (Gatt).

The deal unblocks a stale mate between the US and the European Community and clears the way for an accord on tariff reductions to he signed

Violence erupts

during S Africa

called the "strong-arm" tactics

of the past, and allow peaceful political protest. The clashes

nighlight the difficulties Mr de

Klerk may find in getting police to follow his order

ssued earlier this month to

Mr de Klerk is due to make a

policy address at the assembly

opening, although government officials have recently tried to

dampen expectations that a

comprehensive package of political reforms will he

It remained unclear yester-day whether Mr de Klerk

would announce on Friday the

release of Mr Nelson Mandela, jailed leader of the African

National Congress. Last-min-

ute problems are understood to

have arisen about the expected

release of Mr Mandela,

although he still seems likely

to be freed very soon.

cricket tour

keep out of politics.

Continued from Page 1

Under the procedure all participating countries will submit proposals for reducing, eliminating and binding tariffs on imports by March 15. Binding a tariff means fixing it at a level above which it may not be increased without offering another trade concession as

compensation. Negotiators will then meet in April to discuss whether the proposals are sufficient to achieve an overall reduction of 30 percent in a nation's tariffs. The 30 per cent target was agreed by trade ministers in

By Tom Brennan In Tampa

THE Luxembourg-registered Bank of Credit and Commerce International operated a corpo-

International operated a corpo-rate policy from the highest levels of the bank to take as many deposits as it could with-out being "too choosy" where they came from, a prosecution lawyer said yesterday in a US drugs laundering trial.

Mr Michael Rubenstein, an assistant US attorney, opening

assistant US attorney, opening

assistant US attorney, opening the prosecution in Tampa, Florida, against five BCCI officers accused of helping to launder some \$14m of cocaine proceeds, said that the bank began handling drug money "because that's where the action was, in Colombia and Panama."

"It was a clear well-defined

"It was a clear, well-defined corporate policy from the high-est levels of BCCI to take as

many deposits as they could

and not to be choosy where it

came from," he said.
Mr Rubenstein said the five

1988. The compromise approach

**BCCI** had 'policy'

on drugs money'

INTERNATIONAL trade officials agreed yesterday, after when the current round of Gatt allows the 96 members of the such as textiles, where the US Geneva-based Gatt to select tariff is still relatively high. their own method of cutting tariffs, one of the main ways of protecting domestic industries-

from foreign competition.
The US had wanted to negotiate reductions on an individ-nal product sector basis, including agriculture. Its proposed "request and offer" method would allow it to ask for tariff cuts on given products, and offer to lower one of

its own for each reduction.
The US argued that most of its tariff rates were already low. But some other countries beld that Wesbington's approach reflected a desire to protect sensitive industries,

BCCI bankers on trial did not

make any personal profit but laundered the drug money to advance their careers. "Their

career goals were more impor-tant to them than the laws of

any country," be said. Charges of drug trafficking

and laundering against the BCCI parent were dropped at the start of the trial two weeks

ago in return for guilty pleas to drug laundering from two of its subsidiaries, BCCI SA, of Lux-

embourg and BCCI (Overseas), of Grand Cayman, and an agreement to forfeit \$14.8m, equivalent to the amount laun-

The piec egreement also ensures the bank's co-opera-tion with investigations into

other matters. The US Govern-

ment is particularly interested

dered with interest.

across-the-board tariff cuts for

industrial products, saying this would prevent countries from keeping high levels of protection in individual sectors. How ever, the EC has insisted that agriculture should not be included in this package. Tha Gatt spokesman said the

agreed procedure allowed countries either to use a for-mula approach in their offers, or to table individual offers and requests. Although not ideal, it was the best way, given the political and eco-nomic constraints and limitation, he said.

Continued from Page 1

chances of recession had declined since last spring. He

up this month.

He suggested that lower sales were "at this point likely to reflact primarily replacement needs and growth in the driving age population."
He also saw many bright spots such as the backlog of

#### **US** slowdown 'temporary' Greenspan says

said both probabilities were much smaller than occurred at the start of each of the four recessions since the late 1960s.

He said the current slow-down respresented, "at least to an extent, a pause in the accumulation of physical assets, a form of inventory correction, so that levels of covership do so that levels of ownership do not get too far ahead of the long-term desired levels." He noted both that the number of cars assembled in January may fall short of a 4.5m unit annual rate (against a 7m unit rate in 1989) and that sales had picked

orders for civilian aircraft

tary application - especially in the Soviet Union - and the US security services complain that digital telecommunications

Currently some digital switching is allowed into the east bloc but most is banned. Even the West Germans accept that the higher level Integrated Systems Digital Network tech-

nology should remain banned. The US stresses it has already accepted the export of more sophisticted machine tools, and now looks likely to agree to liberalise 32-bit com-

on computers is helpful and has been aided by a strong lobby in the US and the interest of the US financial services industry in establishing itself in the east bloc. But Bonn will continue to push on telecoms and machine tools saying that the new strategy agreed two years ago to establish "higher walls around fewer items" has been only half-beartedly put into action and that the US has been placing all the emphasis

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**WORLD WEATHER** 

in accounts held for the family of Gen Manual Noriega, the deposed Panamanian leader. Bonn set for export call Continued from Page 1

makes eavesdropping more dif-

puters. The previous limit was Bonn officials say the move

on stricter policing

n 1986, Mr Tom Wilding and 70 other executives put £400,000 of their own money into a £38m man-agement buy-out of the peripheral paper operations of Bowa-

The new company - UK.
Paper - thrived Fifteen
months later, it joined the manmonths later, it joined the man-ket at nearly three times its buy-out price, and last month it succommed to a £299m cash bid. In three years Mr Wilding, who joined Bowater as an office boy at 14, had amessed office boy at 14, had amassed more than £6m. UK Paper's successful sale has raised doubts about the

principle of management buy-outs (MBOs). Do they, as their champions claim, unleash the champions claim, unleash the entrepreneurial spirit of managers? Or are they simply examples of financial engineering, making a lot of money for a few encurives?

The less flattering view of MBOs has been fuelled by a steep increase in the number of buy-outs which choose to sell themselves to another com-

themselves to another company, rather than retain their independence. In 1989, 72 MBOs were sold and 11 were floated, compared with 48 sales and 34 flotations in 1988, according to the Centre for Management Buy-Ont Research at the University of Nottingha

Nottinghim.
The high returns reaped by managers who sell out to an acquirer (see table) reflect the structure of buy-outs. Typically the senior managers provide hetween £25,000 and £60,000 each, to obtain a disproportionate share of the equity — nsually between 10 and 60 per cent. The bulk of the fundper cent. The bulk of the funding comes from bank loans secured on assets, so the managers' eventual return will be much more than the increase

in the value of the business. But the increase in the value of the luminess has, in many cases, been spectacular. One theory in the past has been that managers achieve this by drawing on their intimate knowledge of the business in negotiating the price. In the last few years, however, any insider advantage of this process her become less impornature has become less important, as parent companies increasingly prefer an auction in which managements must bid against outside offers.

Advocates of buy-outs suggest that intensified management effort is at the heart of the increased value of the business. Freed from their corporate parent, managers put new effort into cutting costs and

Mr Martin Braisford of Premier Brands, a buy-out from Cadbury Schweppes now Vanessa Houlder reports on management buy-outs

### The spoils of enterprise



MANAGEMENT BUY-OUTS that have turned their backs on independence include:

Pressler Brands, the food group which included Typhoo tea, Cadbury biscuits and

included Typhoo tea, Cadbury biscuits and Chivers Hartley jam. Nine directors shared some £150m, when it sold itself to Hillsdown Holdings in May 1989, three years after a buy-out from Cadbury Schweppes.

• Caradon, a building products company. Its management team saw their investment increase sixty-fold in the four years between buying the business from Reed International and selling to MB Group last October.

• Evans Healthcare, a drugs company. Its management team took 15 per cent of the management team took 15 per cent of the equity in the £27m buy-out from Glaxo in 1966 and has just sold the business to Medirace This month, United Precision Industries, the UK's higgest maker of bearings, was sold to Nippon Selko of Japan. Forty UFI managers shared £22m after taking a 15 per cent stake

 Jeyes Hygiens, an industrial cleaning products specialist, bought out of Cadbury Schweppes in 1986 for £9.1m, was sold to Unilever, the Angio-Dutch multinational. ptember for £31.6m.

● Istel, a computer services company, which was sold to its employees by the Rover car group for £35m in 1987. Last September, Istel was sold to AT&T, the US telecommunications giant, for £180m, making several of its managers multi-millionaires.

for Management Buy-Out Research. This trend is at odds

with the tendency to hail buy-

outs as the revival of an inde-pendent UK industry. For

example, Mr Wilding's ambi-tion, at the time of UK Paper's flotation, to take the company

back to the days when it was

recognised as the best paper company in the UK" now rings

None the less, managers are usually required to provide an exit for investors and tha more

subdued state of the stock mar-ket has meant that in recent

years it has offered considera-

bly lower prices than those achieved by trade sales.

Flotations also court the risk

high borrowings have a salutary effect. "You can get lazy as part of a larger group. You are able to take softer options," he says. "High financial lever-age breaks the aura of self-con-fidence and infallibility that

managers have in a big group." However, he admits that this a short-term benefit. You can do so much in the first two years in belt tightening, but it is not a permanent way of

The risks are spelt out by Mr Peter Jansen, who was chief executive of Caradon, a buildings-product buy-out from Reed International, now sold to to MB Group. "If you are the sort of manager out to make a million, you can be too aggres-sive by selling assets and not investing enough in the busi-

ness," he says.
A study by Warwick Business School, which tracked the performance of 58 MBOs, found they had a better-than-average performance in the first three years, after which they tended believes that the pressures of to produce lower profits and a lower return on capital than the industry average. It suggested that opportunities to cut costs and improve margins had usually been exhausted after three years and managers fared less well when facing the hurdles of new markets or

increasing market share.
Once the relatively straightforward years of cost cutting are over, it is not surprising that a sale seems attractive.

Many managers opt for a congenial partner which will allow them autonomy. In the case of Premier Brands, this together with a desire to keep the business intact - led it to turn down higher offers in favour the Hillsdown bid. Some critics believe that

managers choose partners that will offer them an easy ride. There is a growing trend towards overseas purchasers, for example, which usually allow their subsidiaries more operational independence. Foreign sales accounted for

of a bostile hid. Premier Brands reckons it would have had to sell over 60 per cent of the company to pay off its debts, which would have made it an easy target for a predator. Similarly Mr Alan Bowkett, of UPI (Britain's largest precision bearings maker, sold this month after a 1987 MBO) says that the company needs sub-12 per cent of total sales last year, according to the Centre

stantial investment over the next five to 10 years, which-would make it more vulnerable

to a predator. However, alternatives to trade sales or flotations do exist. One innovative alterna-tive was that of Unipart, the former Rover Group parts sub-sidiary which was privatised in an employee buy-out in 1987. Having paid off the £30m of debt that financed the buy-out, it was able to borrow again to buy back £20m of shares and so reduce the institutional holdings from 56 per cent to 36 per cent. The bought-back shares were reallocated to managers and employees, raising their

stake to 45 per cent. "It was an elegant solution for all concerned," says Mr John Neill, Unipart's chief executive. The investors were repaid their original invest-ment, the employee share ownership has been further wid-ened and the management still feels in control of its destiny.

Looking shead, it seems likely that managers will continue to seek a share of the equity. "It reflects a more entrepreneurial style of man ager that we have in Britain, says Mr Ken Robbie of the Cen tre for Management Buy-out

However, the rewards for managers may start to lessen. A slowdown in the economy is likely to weaken the prices paid by acquirers. The managers' share of equity will be fall-ing and the amount of institutional equity might have to increase, says Mr Robbie.

Furthermore, there is likely to be greater emphasis on the risks of buy-outs. Mr Jansen believes that the pressures on managers, who have considerable sums of their own money at stake, are already underest mated. "Having two-thirds of your house on the line is no joke at the time," he says. So far the failure rate of buy-outs has been low. The risks may become increasingly spparent as a result of the problems of buy-outs exposed

the retail sector, Lowndes Queensway, MFI and Magnet. The sobering example of Mr Tom Duxbury, who engi-neered the Magnet buy-out last summer and has this month left the company bearing a loss on his investment, may be just the first of many. This week, Response, a textile group, went into receivership, unable to meet the interest payments on the loans that financed its £90m buy-out from Coloroll, 18

months ago. The desire of managers to own a share of their business is here to stay. But the risks may increasingly bear a more obvious relationship to the Labour market

### The fallacy about productivity and pay

By Richard Layard

evenly across the economy, not hogged by one group of workers. Thus harbers are four times richer than they were half e century ago because of productivity increases in the rest of the economy. How on earth could anybody believe that efficiency or equity remired otherwise?

required otherwise?
The inefficiency in productivity-based pay is manifest. If firms with high productivity growth pay higher wages, rather than cutting their prices, their sales will be decreased Employment in the

depressed. Employment in the

(C) Japan

UK®

0 2 4 8 8 10 12

Unemployment rate

(1980s averago)

most productive sectors will be held back, and the least pro-ductive sectors (paying lower wages) will continue to waste labour. In international compe-

tition the country will be increasingly forced to speci-alise in low-productivity, low-wage industries.

This is the opposite of what

would happen in a proper com-petitive labour market. Under

competition, workers of a

Britain. In most of the more

successful countries such as

Should workers be paid according to the productivity of their enterprise? According to senior ministers and CBI leaders the answer is Yes. But the standard answer functioning economy. Produc-tivity grows faster in manufacturing than in services. But wages grow at the same rate (so that the relative price of manufactures falls). In this way the fruits of high productivity growth are spread evenly across the economy, not

has always been No.
So where do ministers go wrong? They start from the important proposition that to stop inflation, average wages in the economy should rise only as fast as average produc-tivity. They then suppose that an easy way to achieve this would be if pay in each firm grew at the same rate as productivity in the same firm. But this method is disas-

trons and doomed to failure. It is not only unfair but grossly inefficient. There are huge dif-ferences in productivity growth between sectors, which are mainly due to technological factors and not to the efforts of the workers. Thus some sectors have inherently greater productivity growth than others - with manufac-turing generally outstripping services. Since this reflects no special merit among the workers in manufacturing, why should workers in services increasingly fall behind? The service workers will not,

of course, agree to do so, and market forces are on their side. So the chief result will be additional inflationary pressure, as service workers' pay tries to keep pace with manufacturing. This is the fundamental prob-lem behind the ambulance

workers' dispute. The mechanism can be simply illustrated. Snppose productivity grows at 5 per cent a year in "manufacturing" and 1 per cent in "services" - an average of, say, 3 per cent. If all workers get 3 per cent wage increases, all will be well. But that is not the current philosophy. Government ministers have told those in "manufac-turing" that they can reasonably expect more. But then the "service" workers also insist on getting more too. The result

An important reason for our present problems is this half-baked philosophy. Yet these issues are not new. In 1967 William Baumol wrote a famous article in which he explained how economic progress proceeds in a properly

Germany, Japan and Sweder the "going rate" is a standard concept - and not an object of abuse. In all these countries there is a form of co-ordinated wage bargaining.

In Sweden, the clearest case. the national employers' federa-tioo bargains directly with the national trade union federa tion. In Germany and Japan there is a "pattern settlemeot", often in the metal industries which is then broadly followed elsewhere. This settlement is preceded by informal national talks among the employers' associations of different industries and likewise among trade

By these means Sweden. Germany and Japan have been able to contain inflation with much less unemployment than conntries with less co-ordinated wage bargaining. The graph makes the point.

There most of course be some differences in wage settlements across firms. To motivete workers towards better manning practices they must be offered a share in the resulting gains. And expanding firms need to raise wages to attract

Such minor adjustments can happeo perfectly well against the background of a national going rate. This ought to emerge from some co-ordinated process. For the fundamental pay problem is that ooe man's wage increase leads to another man's price increase. Without co-ordination all end up having higher wages and paying higher prices. But, when there is co-ordination, this danger can be faced explicitly and we can sbort-circuit the pointless

wage-price spiral. So tha CBI should persuade its members that, since they have a common interest in lower inflation, they should individually operate on the basis of an agreed and sensible going rate. The Government should apply strong pressure on the CBI to secure this.

given type would be paid the same regardless of who employed them. And this In any case let's rehabilitate the notion of the going rate. It is far better than telling the would ensure that as a nation we best exploited our international comparative advantage. There is no country where lions to take the lions' share. the productivity-pay fallacy has taken such root as in

The author is Professor of Economics at the London School of

#### Insider trading: lessons from the US experience

From Mr Leo Herzel.
Sir, Your editorial comment ("The attack on insider trading," January 26) expresses concern about "the movement of share prices in advance of big mergers and takeovers." In a statistical study of 172 suc-cessful tender offers in the US from 1981-1985, the authors reached the following conclu-

The significant effects of media speculation and of foothold acquisitions on unanticipated premiums and pre-bid run-up are consistent with a legitimate market for informaincommate market for informa-tion. They further imply that significant pre-bid market activity is consistent with little or no illegal insider trading. Our results thus indicate that

aggregate run-up statistics must be used cantiously as measures of illegal insider activity."

If the study is correct, your excellent newspaper (quite legally) may be responsible for some of the anticipatory price movement that troubles you. Moreover, there may be little that can be done to remedy the situation within the framework of free markets and a free financial press.

With regard to your sugges-

tion that civil damages and penalties against insider trad-ing could be an important supplement to criminal sanctions, it appears unlikely that they would change the behaviour of many people in England. Per-sonally, I would be terrified of

even a £25 fine (let alone the 25,000 you mention or a prison sentence) as I am sure would your leader writer. Most potential insider traders have licences or reputations to lose.

To the extent that civil reme-

dies have been an important factor in reducing insider trad-ing in the US, it is probably mainly because they increase the incentives of private enforcers, which expands the amount of enforcement far beyond what the Securities and Exchange Commission and the Justice Department can undertake. But this depends on legal institutions that do not exist in England: class actions and court-awarded fees to class action lawyers when they are

the US has done to increase the risk of discovery that does not require a change in legal institutions. The statute that authorises the SEC to sue for trehle damage civil penalties also permits the SEC to pay up to 10 per cent of any recovery to informers. But there may be objections to such a blatant encouragement of informers.

\*Jarrell and Paulsen, Stock

Trading Before the Announce-ment of Tender offers: Insider Trading or Market Anticipa-tion? 5 Journal of Law, Economics & Organisation (Autumn Leo Herzel

Mayer, Brown & Platt, 190 South La Salle Street, Chicago

#### Need for alternatives to higher unemployment

From Mr John Philpott.
Sir, Your editorial comment
("The fear of recession," January 22) concludes that a rise in
unemployment will be an unavoidable consequence of a determined effort to reduce inflation, given the absence of any prospect of reform of UK wage bargaining. It makes depressing reading, especially when set against Ronald Dore's informative account (Letters, January 22) of the advantages of the Japanese wage bargain-

ing process.

However, while your conclusion is undoubtedly based on a fair assessment of current economic and political realities, one should be aware of the dangers of reverting to the

there-is-no-alternative mentality of a decade ago.

As Peter Robinson rightly points out (Letters, January 17) the UK now has a worse unem-

ployment/inflation trade off than in 1979 despite successive measures to free the labour market. Ironically, this is to a large extent a consequence of the Government's resort in the early 1960s to a crude deflationary policy. The legacy has been insufficient industrial capacity, continuing skill shortages, and almost 750,000 long-term unem-ployed unable to influence "insiders" engaged in wage

hargaining.

A similar policy aeems unlikely to have such severe consequences today since

industry is more aware of the need to maintain investment in-plant and people during the downturn in activity and the benefits system is less condu-cive to a sharp rise in long-term unemployment. But it is none the less short-sighted to believe that higher unem-ployment offers a proper solu-tion to the UK's underlying

Alternatives may not be easy to construct, particularly reform of the wage bargaining process. But they must be John Philpott,

Director, Employment Institute, Southbank House, Black Prince Road, SE1

#### And towels From Mr D. Simon Harper. Sir, As a former teacher of

English for foreigners, I was amused by Mr Luetkens's prompt reaction (Letters, January 24) to Observer's attempt to meddle with English idiom. I am often confronted by I am often confronted by non-Anglophones, voices ringing with triumph, bursting to tell me that I have written something "illogical." I spend valuable time drilling into their sceptical heads the notion that English is not logical. To do this I make use of "illogicalities" in their own languages. For a Frenchman, for example I quote "iron wire", which

ple, I quote "iron wire", which to him is "fil de fer de fer" (thread of iron of iron). If that fails to shake his faith in French logic I give him gold wire (fil de fer d'or).

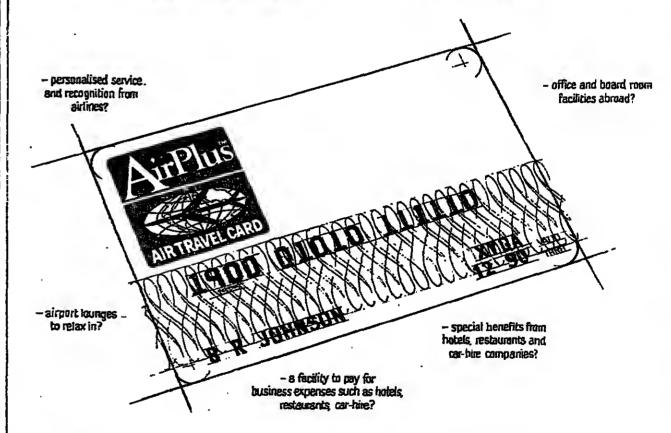
For a Swede I use "handtowel", which to him is "handhandduk" (a hand cloth for

hands), as distinct from a bath towel (badhanduk) or a tea-towel (diskhanduk). The unusual thing in this case is that we have a Britoo launching a campaign against English idiom. Britons, like speakers of all other languages, are usually deaf to the "illogicalities" of their own idi-

D. Simon Harper,

Zumsteinstrusse 6 D-7750 Konstanz, W Germany

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#### Mill closures and job losses not expected

From Mr A Tjipto

Wignjoprajimo.
Sir, The article by Mr John
Murray Brown ("Indonesia's
soaring timber tax," January
11) contains several inaccuracles. Mr Brown contends that the recent increase in taxes levied on sawn timber exports will result in massive mill clo-sures and unemployment. Analysis of trade statistics complled by the Indonesian Sawmillers Association refutes this. Since 1984, at least two thirds of the annual sawn timber production has been sold domestically. In 1989, estimates indicate

that only 3.621m cubic metres was exported out of 10.709m cu m. produced. A majority of mills supply the domestic market and will not be directly affected by the increase in export taxes. Most of the approximately 400 mills which were export-oriented have received licences to shift production into woodworking: 168 of these already have an installed woodworking capac-ity for export. Woodworking ity for export. Woodworking troducts, which include decorative mouldings, dowels, solid door and window components,

door and window components, railway sleepers, and pallets, are exempt from the recent export tax increase.

Around 32m cu m of raw material are available to the Indonesian wood products industry annually. Plywood production utilises 15m cubic metres and no new plywood mills will be installed, so conmills will be installed, so con-

sumption requirements should remain fairly constant. The remainder, used hy sawn tim-ber and secondary products producers, will be increasingly diverted into woodworking. These figures illustrate the shift expected within the Indo-

shift expected within the Indonesian wood products industry as a result of the export tax increases for sawn timber. "A large proportion" of mills will not close, nor will unemployment be severe. Part-time employees may become redundant, while those under contract will instead work in the growing woodworking sector. A. Tjipto Wignioprajitno, Indonesian Sawmillers and Wood Product Manufacturers' Wood Product Manufacturers' Association,

My general purpose retort to the critics is an English "illogi-cality" very familiar to them all, and one that would have made a good second rebuttal to Observer: anyone who is a friend of John Major's is a friend of mine!

Net profits for the year

ended December rose to \$973m

or \$4.23, including a gain of \$258m from the adoption of a

new accounting standard. A

year earlier it earned \$614m or

Sales were \$20.28bn against

Boeing's military business

turned in an operating loss of

\$475m last year, more than

double the loss analysts expec-ted and up from about \$100m a

year earlier.

Last year Boeing received orders for 963 commercial aircraft. At year end its backlog of firm orders was worth \$74bn, of which 92 per cent was

attributed to airliners, against \$46.7bn, of which 87 per cent

#### INTERNATIONAL COMPANIES AND FINANCE

### MCI shares plunge after worse than expected result \$965m for

By Anatole Kaletsky in New York

second biggest US long-distance telephone com-US psny, announced worse than expected earnings yesterday, precipitating a sharp fall in its

shares price. Last year the company's shares were among the strongest performers on Wall Street. But after falling \$3% to \$30% yesterday morning sbortly after the results announcemeot, they had lost almost 25 per cent of their value in the past two weeks. The shares peaked at \$481/4 last October and were worth more than \$40

earlier this month. MCI said it earned \$101m or 39 cents a share in the fourth quarter, compared with \$115m or 46 cents the year before. The earnings reduction was due entirely to two non-recurring

Excluding these charges, which related to early deht repayments and certain consolidation expenses, earnings per

MCl Communications, the share would have been 63 cents. a 37 per cent improve-ment on the year before, the company said.

However, even this result was lower than many analysts had estimated. And an ambiguous comment about prospects for 1990 hy Mr Daniel Akerson, the company's chief financial officer, apparently unnerved investors further.

Mr Akerson said that Wall Street was estimating 1990 earnings at \$3 to \$3.15 a share. He refused to endorse these estimates, but noted that the \$3 figure would represent a 30 per cent advance over last

This comment was interpreted by some nervous inves-MCI's profits would come in at the lower end of the expected

MCl's full-year resolts showed net profits of \$529m or \$2.09 a share, compared with revenues grew 26 per cent to \$6.47bn. Fourth-quarter revenues were \$1.71bn and revenue growth was down to 20 per

The latest quarter's results included an after-tax extraordinary charge of \$35m for the early retirement of \$500m worth of MCI's bonds. It also included a pre-tax pro-

vision of \$35m for the consoli-

dation of various engineering operations in Texas. The profits announced in the fourth quarter of 1988 included a pre-tax gain of \$12m from a legal settlement and an after-tax charge of \$10m for deht

Mr Akerson said he expected this year's revenues to show a 20 to 25 per cent increase and traffic volume to grow hy about 25 per cent. This would mean MCI continuing its market share gains, since the long-distance telephone indus-try as a whole would probably grow by about 10 per cent.

### Coca-Cola boosted by sell-offs

By Karen Zagor in New York

COCA-COLA, the world's biggest soft drink company, yesterday reported record earn-ings for the fourth quarter and year, in what the company described as the concluding achievements in a decade of outstanding growth.
For the December quarter,

net income surged more than 200 per ceot to \$757.2m or \$2.22 a sbare from \$230.3m or 65 cents previously.

The results were holstered by the sale of Columbia Pictures in November and the sale of the company's bottled water business last year. Excloding gaios from these sales, net income in the latest quarter was 72 ceots s share. Operating revenues in the

three months rose 11 per cent to \$2.25bo from \$2.03bn. Earnings for the full year jumped 65 per cent to \$1.72bn from \$1.05bn. Earnings per share advanced 73 per cent to \$4.92 from \$2.85. Per-share

earnings for the year, exclu-



Roberto Goizeuta: company is well-positioned for decade

ding one-time gains, increased 18 per ceot to \$3.35. Net operat-ing revenues rose more than 7 per cent to \$8.97bn from \$8.34bn. The company said operating income from its international

soft drinks business grew 13

per cent in 1989. Volume sales in the EC grew 11 per cent while operating income advanced 16 per cent, due partly to increased distribution in France and the introduction of Sprite in Britain.

Unit volume grew 12 per cent in Latin America and 10 per cent in the Pacific and Canada. In contrast, volume in the US rose less than 3 per cent. Mr Roberto Goizeuta, chair-man and chief executive, said: "For the year, total return to our shareholders - stock price appreciation plus dividends - was 76 per cent. This is the highest return earned for our

shareholders in 54 years." The return on average common shareholders' equity was 38 per cent, excluding the Col-

umbia gain, The company is extremely well-positioned to continue to achieve strong profitable growth in 1990 and for the remainder of the decade," Mr

### **Charges knock Control Data**

CONTROL DATA, the struggling Minneapolis-based the computer company, suffered another big loss in the fourth quarter as a result of further restructuring and asset disposal charges. Excluding noorecurring items, the company itably for the past six months. Cootrol Data had a net loss of \$196m or \$1.63 a share in the latest quarter, including a pretax restructuring charge of

A year ago its net loss was

\$13m or 31 cents. The company said ahoot balf the charges related to VTC, a semiconduc-tor subsidiary which Control Data expects to sell at a loss

soon. The rest of the charges were due to the closure or sale of the US and overseas, as well as to writedowns of intangible

Excluding the charges Con-trol Data said it had been oper-ating profitably in the past two

quarter's result represented an improvement oo the previous three months. For 1989 as a whole Control Data reported a net loss of \$680m or \$16.11 a share, compared with a net profit of \$2m

or 3 cents in 1988. nnes fell by 19 per cent to \$2.93bn, largely because of business disposals.

In the latest quarter revenues were \$524m, 44 per cent down on the same period a

### Borden edges ahead in fourth quarter

By Karen Zagor

BORDEN, the diversified US producer of packaged foods, has reported a moderate incresse in fourth-quarter earnings, although restructuring costs led to a net loss for the year.

Net income for the three months ended December 31 rose 7 per cent to \$99.9m from \$93.9m, while earnings per share increased 6 per cent to 67 ceots from 63 cents previ-

Sales in the quarter slid nearly 2 per cent to \$1.98bn, which the company attributed to a decline in its dairy divi-

Earnings in the recent year were dragged down by an-after tax charge of \$404.4m or \$2.73 a share, established in the third quarter, for a reserve to cover the cost of restructuring pro-

grammes. The New York-hased company said the charge resulted in a loss in 1989 of \$60.6m or 41 cents a share against net income of \$311.9m or \$2.11 a year ago. Sales in 1989 increased 5 per cent to \$7.59bn from \$7.24bn.

Excluding the one-time charge, income in the last year advanced 10 per cent to \$31.9m. Operating income in the foorth quarter reached a record \$222.3m, up 6 per cent

for the division also fell.

The company's grocery and specialty products division posted a 35 per cent gain in income for the 1989 quarter. Operating income from its snacks and international consumer products division rose 6 per cent while that of the diary division fell 24 per cent. Sales

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January 1990

(Serono)

It had planned to deliver 328

jet airliners last year, but man-

"Higher than expected lump-sum wage payments" under the terms of the strike-

settling new contract and the

disruption costs of the stop-page "contributed to a substan-

page "contributed to a substan-tial reduction in fourth-quarter

operating earnings and interest

These factors also helped cut Boeing's cash on hand at the

end of the year to \$1.86bn from

\$3.96bn a year earlier. The

funds are urgently needed to help finance the 777, a twin-en-

gine aircraft Boeing hopes to

launch soon to compete against the Airbus A-380 and A-340.

aged only 284.

By Roderick Oram and Paul Betts in Seattle

defence operations.

A STRONG improvement in operating income from its energy husinesses and reduced deht servicing expenses helped USX overcome a decline in operating earnings from its steel holdings to turn in 1989 cast full-year net profits 27.6 per cent higher at \$965m or \$3.53

per share. The US steel and energy gronp's fourth quarter net income, belped by sharply lower interest charges, rose 54 per cent to \$244m or 91 cents

per share. The results were achieved on full-year revennes of \$18.7bn, np 10.7 per cent, and

27.6% to

full year

By Alan Friedman

of Phisburgh-based USA, sain operating income from the energy divisions more than doubled to \$387m last year. He also highlighted \$370m of proceeds earned from asset sales

last year. Mr Corry said that "of particnlar importance is the improvement in our financial position," noting that financial obligations were reduced by \$2.5bu.

In the energy business Marathon Oil achieved \$862m operating profit on \$11.2hn of sales, compared with \$506m on \$9bn in 1988.

The company's npstream (exploration and production) operations jumped dramatically to \$363m operating income, mainly due to higher prices in the US and abroad.

By contrast, operating income from downstream (refining, marketing and transport) dropped to \$405m in 1989 from \$485m previously.

The steel husiness suffered a 14 per cent decline in last year's operating income to \$430m, while revenues were down by \$100m at \$5.7bn. The lower sales and income

was attributed by USX mainly to the sale last spring of its Lorain, Ohio works. Fourth-quarter steel earnings were \$75m, against just \$16m in the 1988 correspond-

ing period. This was partly a reflection of a special restructuring provision taken in the fourth

quarter of 1988. USX's diversified businesses ade \$46m in the flual quarter, a drop from \$105m in last

vear's period. The full-year result from

diversified activities was \$120m, against \$333m. The company is proposing a By Robert Gibbens in Montreal unchanged on 1988.

#### **Huntsman** to join GE in Aristech bid

By Alan Friedman

HUNTSMAN HOLDINGS, a privately held plastics husi-ness, will join forces with the plastics subsidiary of General Electric of the US to make a bid of at least \$878m or \$27 per share for Aristech Chemical, a Pittsburgh-hased maker of industrial chemicals, polypro-pylene and other chemical

The Huntsman-GE bid proposal would top an \$844.5m or \$26 per share offer from Mitsu-bishi of Japan and a group of Aristech managers. The aunouncement came just hours before Mitsuhishi's bid was scheduled to expire last

Mr Huntsman, who first made a \$25 per share offer for Aristech last October, was reportedly angry earlier this month when the Mitsuhishi deal was announced as a man-

agement buy-out.
Mitsuhishi would obtain overwhelming majority con-trol of Aristech if its proposal were accepted. Mr Huntsman owns about 8.7 per cent of

Aristech.

The Huntsman camp insisted yesterday it wanted more time for its bid to be considered and was, meanwhile, going ahead with a formal proposal to Aristech's and the control of t board. The prospect now is for an auction that could drag on

### USX climbs | Machinists' strike checks Boeing

BOEING has reported sharply lower fourth-quarter earnings because of the "severe impact" of a 48-day machinists' strike which drastically curtailed deliveries of new airliners. It also suffered a big loss on its

Net profits dropped to \$77m or 34 cents a share from \$174m or 76 cents a year earlier. Sales were flat at \$4.85bn against \$4.87bn. The results were lower than some analysts had fore-

The strike over a new contract by Boeing's manufacturing hourly workers, members of the International Association of Machinists and Aerospace Workers, cost it \$2bn in sales, the company said.

fourth-quarter sales of \$4.88bn, also 10.7 per cent higher year-on-year. Mr Charles Corry, chairman of Phitsburgh-based USX, said

hit hard.

Wall Street's expectations and the Federal Reserve has emergency asset sales. Mr Connolly, who agreed in

December to step down from the regional banking conglomerate he had assembled almost single-handedly, was finally ousted last weekend after a unanimous decision taken during a telephonic meeting of the 12-person board of directors, Raw numbers, while not tell-

ing the entire story, serve to illustrate the disaster: BNE's share price stood at a hefty \$23 at the end of the third quarter of 1989, making for a market capitalisation of \$1.6bn. At yesterday's price of \$4% the bank's market value had been slashed to \$285m.

The bank's \$2.25bn of nonperforming loans at year-end represented 8.6 per cent of total lending and nearly a fifth of the real estate loan book. • A fourth-quarter loss of \$1.2bn and full 1989 loss of

\$1.02bn compared with a 1988 net profit of \$281.7m.

The bank's capital base has deteriorated to less than \$500m, compared with total year-end assets that were down to \$29bn. This makes for a dan-

authorities. Among the questions being sked on Wall Street is how much hlame to apportion to the real estate crisis and how much to the 61-year-old Mr Connolly, who went on an acquisitions and expansion spree as soon as he took control of BNE in 1985 after merging into it with his Connecticut

Mr Connolly could not be reached for comment, but the preliminary indications are that cantious management took a back seat to his ambi-tious drive to transform the bank into a super-regional. BNE, America's 15th largest

neck race to sell assets, includ-ing a \$828m deal this week that saw Citicorp gobble up the credit card division. In some respects it is not so

Sweeney, the executive vice

estate lending, was "reassigned to other duties." Then, after a dramatic board meeting, it was announced that Mr Connolly would step

president in charge of real

down as soon as a successor could be found. Just after Christmas the bank cancelled its regular quarterly dividend. After New Year's Day the bank said it was selling its McCullagh fleet leasing business to GE Corporation, a deal which will net about \$450m. And by the middle of January the Federal Reserve stepped in to order drastic management

changes and asset sales. ast week Mr Connolly faced every hanker's worst nightmare, a good old-fashioned run on deposits. As a result BNE went to the discount windows of the Federal Reserve of Boston and borrowed an estimated \$475m. It was under these circumstances that, last Friday, the board told Mr Connolly he had to go, immediately.

A senior Massachusetts-

based BNE board member, who asked not to be named, claimed it was unfair to blame Mr Connolly for all the bank's woes. Yet he added: "I think he [Coninolly] had begun to feel he had lost credibility with US regulators, the local financial

Mr H. Ridgely Bullock, a member of the bank's board, was named last weekend as interim chairman and chief executive in Mr. Connolly's

was for airliners a year earlier. The company plans to produce 455 commercial aircraft this year, comprising 383 Boeing jet airliners and 72 DeHavilland turboprop c numuter alr-

In 1989 it produced 284 lets and 58 turboprops. Mr Frank Shrontz, chairman,

said Boeing's key challenges this year were to achieve higher rates of output, improved productivity and orders to warrant the launch of On the military side it hoped

to improve the performance of some programmes and to combine successfully its defence and space husinesses in one

### BNE in humbling race for survival

Alan Friedman on a once-proud bank's breakneck rush to sell assets

year ago the Bank of New England (BNE) and Mr Walter Connolly, its buccaneering chair-man, were both still riding high.

The Boston-based commer-

cial bank, with \$31bn of assets and a striking reputation as one of America's "super-re-gional" institutions, seemed capable of weathering what appeared to be a passing indis-position in the north-eastern real estate market.

Recently, however, the bank's financial health has gone from bad to worse and then to just plain awful. The real estate crisis, one of the key features of the slide into sion in New England, has

Losses and non-performing loans have jumped well beyond stepped in to force \$6bn of

gerously thin 1.7 per cent capi-tal ratio, compared with the 3 per cent required by regulatory

Bank & Trust Company.

commercial bank, is now distinguished mainly by its break-

much the crisis as its speed which is striking. In mid-De-cember, when it looked as though real estate problems were mounting, Mr James

community and some deposi-

He moved immediately to calm market fears.
On Monday Mr Bullock said he expected to receive bids for \$1.3bn of home-equity loans by the end of this week. He also said the \$6bn of asset sales, of which the home loans package was a part, were going "very well." In particular he men-

tioning the bank was moving forward on the sale of \$3bn of commercial loans, Mr Bullock admitted, how-ever, that the bank was continuing to borrow from the Boston Fed, a sign that depositors were not yet convinced the rot had stopped. He also said the bank was exploring the sale or merger of the Con-necticut Bank & Trust Company, ironically enough the institution from whence Mr

Connolly originally came.

Now the state of the BNE is described by some Wall Street
analysts as "touch and go." Mr
James McDermott, of Keefe
Bruyette, says it is too early to
say whether the Federal
Deposit Insurance Corporation will need to step in and take over the once-prond Boston

institution. The survival of the bank depends very much on the management's ability to navigate the shoals of credit quality," he says.

That the new interim man-

agement is working exceedingly hard, with the close vigilance of the men from the Fed,

What is less certain is whether the shrinking and recapitalising of BNE can be achieved before it is too late.

Setback at

CANADA PACKERS, one of

Canada's kading food processors, hlamed afficult conditions in the meat many and

its British operations for a

sharp drop in earnings in its

third fiscal quarter, which

Net income fell to C\$4.6'.1

(US\$3.89m) or 12 cents a share from C\$11.5m or 32 cen's a year earlier. The 1988 f gures

included proceeds from property sales. Sales si ped to C\$785.1m from C\$852.5m.

In the 39 weeks to December

23, net income was halved to C\$12.7m or 35 cents from

Cansda Packers recently

announced no hu ers had come forward or the control-

ling block of shares hald by Toronto's McLean fairly, which was up for sale late last

ended on December 23.

C\$24.5m or 67 certs.

Canada

**Packers** 

### Imasco expands fast-food side

IMASCO, the Canadian financial services, tobacco and retalling groop, is expanding its US fast-food business by buying the Roy Rogers restau-rant chain for US\$365m from

Marriott Corp.
The deal is being conducted through the wholly owned Hardee's Food Systems, now the third largest hamburger chain in the US which operates 3,298

restaurants. The Roy Rogers chain will add 600 restaurants - 363 com-pany-owned and 237 franchised more, Philadelphia and New York areas. Imasco, 40 per cent owned by BAT Industries of Britain, said

the acquisition would strengthen Hardee's position in highly competitive Hardee's and Rogers locations are complementary, with Hardee's concentrated in the sonth-east and mid-west and Rogers in the north-east. The Rogers units will be converted to the Hardee's name. Hardee's has doubled in size

full control, and for the nine months ended September 30 system-wide sales were C\$3.1bn (US\$2.6bn), revenoes were C\$1.3bn and operating earnings C\$85.6m. Rogers had revennes of

US\$165m in the first half of 1989, up 3.8 per cent on a year earlier. Imasco said the impact on its earning in fiscal 1990 would be

neutral, but positive in fiscal Hardee's will finance the deal from internal resources and existing credit lines.

#### - in the Washington, Baltisince 1981 when Imasco bought MacMillan Bloedel retreats

MACMILLAN Bloedel, Canada's leading forest product group, was hit hy the high Canadian dollar and heavy newsprint price discounting in the fourth quarter of 1989. These factors far outweighed strong pulp markets and good results from timber

Fourth-quarter net profit was C\$36.3m (US\$30.7m) or 35 cents a share, down from C\$69.9m or 68 cents a year ear-

C\$801m. Earnings for all 1989 fell to C\$233.5m or C\$2.27 from. C\$316m or C\$3.08 on sales unchanged at C\$3.8bn. Rising manufacturing and

start-up of three new sawmills, also affected the results adversely. The Canadian dollar rose 4 per cent against the US dollar during 1989.

MacMillan said newsprint prices had stabilised and the

raw material costs, plus the

 Kruger, a large privately held newsprint, coated paper and converted products group and converted products group in eastern Canada, may take control of a C\$140m hardwood pulp mill project in north-east Saskatchewan using a new "steam explosion" technology developed by Stake Technology

be ruled out as more machines

came on stream. Timber mar-

kets should continue strong and containerboard prices had

### C\$69.9m or 68 cents a year ear-lier, on sales of \$786m against further price erosion could not

ANNUAL results from Scott Paper, the Philadelphia-based group which is the world's armings per share rose only 2.5 per cent from \$4.01 to \$4.11. largest manufacturer of sani- year of record earnings. tary tissue, were "disappointing," according to Mr Philip Lippincott, chairman and chief executive officer, writes

Net income for the year fell from \$400.9m to \$375.5m, and for the fourth quarter was down from \$80.9m to \$71.6m. Maggle Urry. Fourth-quarter earnings per Excluding special items, share were \$0.97 against \$1.05.

Annual sales were 7.2 per cent higher at \$5.1bn, with fourthquarter sales ahead by less than 1 per cent at \$1.3bn.
The year's dull figures were in spite of "an outstanding per-formance" by the group's US tissue operations, which increased its earnings by 24 per

Scott Paper's net income disappoints

### year. The company said stiff competition for supplies of cattle and pigs had narrowed profit margins. The Canadian beef processing industry is going through a turbulent period, with the focus of the industry moving from Ontario to Alberta Canada Packers, for instance, closed a cattle instance, closed a cattle stanghtering plant near Toronto earlier this month and

is now supplying Ontario from western Canada. Foreign earnings were depressed by lower earnings from Britain's Haverhill Meat Products, in which Canada Packers has a 50 per cent stake. The company is in the process of selling this interest to its partner, J. Sainsbury, the UK food refeller.

#### UK food retailer. Mellon seeks buyer for unit

MELLON BANK of Pittsburgh is looking for a buyer for Mel-lon Financial Services unit, its consumer finance operation. Reuter reports.

The bank said the financial services unit, hased in Oak Brook, Illinois, was a profit able, well-run business but we not essential to its retail bank ing strategy. It added it was focusing its retail resources in the central Atlantic coastil

Mellon Financial Services Oak Brook operates 97 offices in 17 states. At December 5 the unit had assets of about \$550m.



### Unocal tumbles into loss in final period

By Karen Zagor

UNOCAL, the big US integrated oil company, has reported a loss in the fourth ouarter and a sharp drop in net profits for the year. The Los Angeles-based com-

pany reported a net loss of \$26m or 11 ceots a share in the three mooths ended December 31, compared with net earnings of \$141m or 60 cents a year earlier. Excluding a loss from discontinued coal mining operations, net income in the recent quarter was \$66m. Net revenues in the period were \$2.85bn, up from \$2.67bn

previously.

For the full year Unocal exploration and production eported net income of \$260m operations earned \$450m for reported net income of \$260m or \$1.11, against \$480m or \$2.06 on revenues of \$11.36bn, compared with \$10.15bn. Mr Richard Stegemeier.

said 1989 earnings rose 24 per cent when adjusted for signifi-cant extraordinary item. The group's refining, marketing and transportation segment recorded earnings of \$157m in 1989, down from \$182m earlier. Fourth-quarter

chairman and chief executive,

The company's petroleum takeover attempt.

income was \$85m, against

the year, np from \$325m in 1988. In the quarter, the segment reported income of \$100m from \$43m.

The chemicals husiness posted earnings of \$49m against \$51m while the segmant's earnings in the quarter plunged to \$2m from \$16m pre-viously.

In a separate announcement, Unocal said it had adopted a stockholder rights plan to pro-tect the interests of shareholders in the event of a hostile

Mr Stegemeier said the plan was similar to several others adopted by companies in the industry. "We know of no current takeover proposal affecting Unocal," he said, "hut we

believe it is a prudent course of action in view of the merger and acquisition environment." Under the terms of the plan, one right will be distributed for one right will be distributed for each share of common stock held of record by the end of February 12. The rights could be triggered if anyone acquires 15 per cent or more of Unocal's outstanding common stock.

#### Go East, young German banker

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year'e political upheavals are having their repercussions on West German banks. Most have announced plans for new operations in East Germany — Dresder Bank has opened an office in its "home town" Dresden with some tankers — but the real source of interest, and potential, is in financing the growing two-wey trade end joint ventures in the offing. Many West German banks have plenty of money to lend and most ere looking to the East for untapped potential. Haig Simonian reports. Page 19

Hitting a thin profits seam



One Canadian base metal producer after another has been closing mines and laying off workers this month, as falling metal prices and the sidwdown in the leading industrial econo-mies squeeze the mining industry. However, by build-up of stocks and to hold down operating costs, producers hope to avoid problems such as these faced during the mining recession of the early 1980s. Page 28

Insured for success

Scottish unquoted investment group ESII has many strings to its bow, including skiing, waste disposal, structural steel engineering and printed circuit board manufacture. Now it is attempting to add insurance to its quiver through a nostile £11.8m bid for Saltire insurance investments, e fellow Edinburgh Investment trust. Irrespective of whether the bid succeeds or fails, ESII Intends to seek Invest-ment trust status this year, Mr Michael Munro, head of ESII, tells James Buxton and David Owen: Page 25 -- -

No pain, no gain



Construction company Kumagai Gumi mixe unconventionality with success. Despite the fact that margins are greater in the domestic market and that its profits tend to rise as a percentage of capital when the ratio of ontinuing with its international expansion plans. Kumagai's philoso-

phy, writes Robert Thomson, is "no pain, no gain." Page 21

istanbul's emerging stock market, the IKMB, appears to be on the path back to the bull run it experienced earlier this month, after the setback caused by e dummy share scandal involving market leader, Cukurova Elektrik, and e botched terrorist bomb attack. Jlm Bodgener

Market Statistics

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Applied Holographics 24 Lease Plan Holding
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Beswick 19
McI-Communications
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Van Lanschot Chief price changes yesterday \$315 164 675 24 12 34 14 AM Seazar IÇi .220 - 58 157 - 7 1078 - 16 Slough Ests Soulth W.H. Sock Shop Unland News 311 321

### Elf earnings fall after \$600m US writedown

By George Graham In Paris and Steven Butler in London

ELF AQUITAINE, the French state-controlled oil group, said yesterday it would take a \$600m charge on Texasgulf, its US fertilisers subsidiary, dragging net profits last year down to an esti-mated FFr7bn (\$1.12bn), less than the FFr7.2bn it recorded in 1988. Mr Look Le Floch-Prigent, Elf's newly appointed chairman, said Texasguif made \$85m last year and was a substantial contributor to the group's cash flow. However, he had decided to

write down the value of the assets to take account of new production and price forecasts for Texasguif's phosphate and soda asb reserves. The charge will reduce the book value of Texasguif, of which Elf owns 85 percent to about \$1.25m.

ent, to about \$1.2bn.

Elf and Amoco, the US oil company, also announced that they had entered negotiations for the had entered negotiations for the purchase by Elf of Amoco's UK refining and marketing busi-

Amoco's downstream UK business — which includes a 70 per cent interest in the Milford Haven refinery in Wales and ebout 250 petrol stations, accounting for some 2 per cent of

J.F.M.A.M.J.J.A.S.O.N.D.

LIT Holdings

Share price (pence)

the UK petrol market — has been up for sale since September.

However, a number of potentially interested buyers, including Kuwait Petroleum and British Petroleum, were understood to have been put off by the price. Analysts say the operation could be worth some £300m (\$494m).

Elf bas been expanding its presence rapidly in the UK, particularly in oil exploration and production. It has ebout 2.3 per cent of the UK retail market for petrol, but lacks refining capac-

petrol, but lacks refining capac-Elf's group sales rose 16 per cent to FFr145bn in 1969 and the group increased its gross cash flow in 1989 to FFr23.5bn, from FFr20bn the year before. Without the write-off on Texasgulf, Elf

would have recorded e 39 per cent gain in net profits to around Oil exploration and production activities nearly doubled their net profits, while refining and distribution activities returned to the black.

Chemicals earnings remained stable, while the pharmacent-icel and bseuty product division recorded a 20 per cent gain in operating income.

Mr Le Floch-Prigent said Elf
had fixed as part of its strategy
the goal of internationalising its downstream activities, which are very French in character. He said the Amoco purchase would bring Elf to the level of market penetra-tion necessary to achieve signifi-cant economic advantages in the UK and Elf would aim to reach the same sort of share in other European markets. Upstream, Mr Le Floch-Prigent said that Elf was aiming to increase its proven reserves of oil and gas by 25 per cent to about 500m tonnes oil

cent to about 500m tonnes oil equivalent and to diversify its reserves, now largely in the Gulf of Guinea and in the North Sea. He said the group had acquired 60m tonnes oil equivalent of reserves in Nigeria last year and made promising discoveries in Gabon and Angola, besides finding encouraging exploration zones in Syria.

Elf also announced that Sanofi, its pharmaceuticals and beauty

its pharmaceuticals and beauty products subsidiary, bad acquired Continental Flavors and Fragrances, s small US producer of flavourings.

### It can be cold when you're naked in the Windy City

Deborah Hargreaves on option trading troubles at LIT

within weeks of taking over as chief executive of LIT Holdings, the transatlantic futures clearing firm, Mr Christopher Castleman was faced with a \$9m loss by three Chicago traders using an esoteric hut risky market strategy. The trading loss, which vir-tually wiped out LIT's profit for the second half of last year, is put down to "gross incompetence" by an overseer at the

firm's Chicago options division. Even the brusque Mr Castleman'a reputation for toughness is being tested et LIT, where break-neck expansion over the past three years has not been matched

by hands-on management.

The obscure commodities firm which has grown into one of the world's largest clearing organisa-tions for futures and options is a far cry from Mr Castleman's background as chief executive of Hill Samuel, the merchant bank. He briefly joined Blue Arrow, the troubled recruitment agency, after his resignation from Hill Samuel over the company's decision to pursue merger talks with Union Bank of Switzerland.

Mr Castleman moved quickly to grasp the arcane principles behind the writing of "naked put" options which caused the October loss and saw the stock market knock 90p off LFT's 110p

Selling naked pnt options is considered dim even in the high-risk frenzy of Chicago's commodrisk frenzy of Chicago's commodity markets, since it compels traders to buy back stock et e certain price — in LIT's case after the price had fallen considerably lower on the stock market. In fact, LIT said the one thing it had learned from 1987's stock market crash was to ston the market crash was to stop the market crash was to stop the traders who reported to it selling naked pot options. Mr Castleman now says he will tighten controls to try to ensure that the same thing does not happen again.

However, although UK managers have threatened legal action

against the person responsible for overseeing options trading in Chicago, he was fired only last Friday. He had been waiting to be sacked for the previous three months, according to one Chicago trader, and is unaware of any litigation.

Mr. Castleman, has tried to

Mr Castleman has tried to tighten up on the management of LIT's futures clearing operations in Chicago, which still account for over 60 per cent of the company's profits. But many Chicago es consider him a novice to the markets, with only a superficial grasp of the esoteric futures and options instruments. LIT's heavy reliance on its US futures and options division has left it vulnerable to the often extreme volatility of the derivatives markets.

This has scared the few analysts who take an interest in the firm and who are now valuing it at a small premium to net asset value rather than on earnings. LIT is expected to report poor earnings in March and is unlikely to pay a dividend before the end of the year. The firm's stock price has tumbled from a peak of 161p in late 1938 when it acquired Johnson Fry - e corpo-rate finance house best known as a leading sponsor of Business Expansion Schemes - to a cur-

rent 43p. Even Mr Castleman admits that investors in the company have had a poor experience. "The only way to improve the stock price is with no gimmicks or fancy tricks, but by solid recurring profits - year-on-year which this company has never

What LIT needs most is cash to finance the debt and deferred payments - likely to run to £3m (\$4.8m) for this year — incurred on its breakneck expansion course pursued by Mr Michael Middlemas, its former chairman. Mr Middlemas resigned last year in frustration at being forced to curb his ambitions for the com-

r Castleman is now unwinding part of Mr Middlemas's strategy in a group restructuring that has so far involved the sale of the company's 33 per cent stake in the Levitt Group, e personal finance firm which offers advisory ser-vices in investment and life assurance. But in selling the holding back to Mr Roger Levitt, the group's founder, LIT received film less than the film it paid

With no other big divestments planned - aside from some property sales - Mr Castleman's rationalisation plan is likely to leave the stock market unimpressed He says he will keep the group's structure under review, but analysts believe he needs to sell off more assets to fund the company's high bank borrow-

ings.

It was in a hid to balance the group's dependence on its US divisions that Mr Middlemas embarked on his course of UK

what analysts consider "a very full price" for Johnson Fry, LIT spent £60m on Jersey General Investment Trust, a local fund management operation, in June 1988. This was followed by pur-chases of the smaller Asset Trust for £14m and Ashburton Trust for

£6m - both fund managers.

The UK operations have yet to live up to expectations and have so far provided few of the syner-gies Mr Middlemas was seeking. In addition, LIT still has around £3m to pay in deferred liabilities on its UK acquisitions, which it bopes to fund from US profits.

owevar, LIT is facing other claims on its US profits. Three top directors in Chicago's Goldberg Organisation are threatening to sue the company for some \$16m in profit-linksd deferred psyments they were promised when LIT took over the firm after the

1987 stock market crash. LIT bought Goldberg, one of the largest and best-known commodities firms in the Chicago futures community, for its book valoe of \$24m, bot committed itself to the profit-related pay-ments over the following five

LIT is now a dominant force on the Chicago Board of Trade -the world's largest futures exchange - where it processes 24 per cent of all trades. In addition, it is one of the largest programme traders on Wall Street, where it benefits from not coming under restrictions imposed on New York Stock Exchange secu-rities firms, and is developing a sizeable foreign exchange opera-

But the family-firm culture dominant in Chicago's close-knit futures industry sits uneasily with the corporate bureancracy developed by LIT. Morale has reached a nadir in Chicago where employees feel increasingly dis-tant from the firm's day-to-day management. At least one senior manager and several traders have defected to rival operations and LIT's customer base is being

LIT's trouble in taming Chicago highlights the difficulties in expanding boutique hrokerage operations across national bound eries. Mr Castleman is now intent on building up the company's UK corporate and per-sonal finance activities in a bid to improve LIT's structure, but this will be to no avail if, in doing so, he strangles the golden goose in Chicago.

#### **US** hearing officer says Hoylake, not Axa, is main issue

By Nikki Telt in Chicago

ILLINOIS has given a clear signal that Hoylake, the consortium formed by Sir James Goldsmith to bid for BAT Industries, is the biggest impediment to occessary regulatory clearances of the proposed sale of BAT's US insurance subsidiary to Axa-Midi Assprances of France.

Assurances of France.
The state hearing officer, Mr
Seymour Simon, described the Seymour Simon, described the possibility of Hoylake acquiring BAT but failing to sell on Farmers Group to Axa as "the most important discussion."

Mr Simon, a retired state supreme court justice, will make a recommendation to the Illinois

insurance department whether the potential transfer should be allowed. Hoylake and Axa need

clearances in nine states.

Hoylake and Axa have argued that there is a watertight agreethat there is a watertight agree-ment that ensures Farmers will pass speedily into Axa's hands if Hoylake gains control of BAT. This is strongly denied by Farm-ers' lawyers, who maintain that there could either be a lengthy delay before the transfer or that it could fall thereath

it could fall through.

Mr Simon said that, despite
the best efforts of Farmers' lawyers to suggest otherwise, "Axa is going to show e lot of assets it is not a slonch company." He added later that his mind was not already made up on Axa's suitability.

The hearing officer went on to stress that what was going to bother him and the insurance department was the "crate of horribles" conjured up by Farmers' lawyers — situations whereby the handover did not proceed smoothly. "I'm sure the illinois insurance department doesn't want to have suits against Hoylake," be remarked.

It was also revealed yesterday
that Citicorp, the large US bank,
and Japan's Sumitomo Bank

were among those who approached Axa with potential funding for its \$4.5m purchase Citicorp's name was given reinctantly by Axa, which alleged that BAT bad been

threatening not to do business with any bank that became involved in its transaction. In London, BAT said it had important relationships with many banks, out of which they "made good money." It denied strong-arm tactics but confirmed that it would not do future business with anyone who became involved in the Axa/Hoylake transaction. Ironically, both Citibank and Sumitomo were leadmanagers on BAT's \$3.5bn loan facility to fund its purchase of Farmers in 1988.

#### **Deutsche Bank to** raise DM1.66bn By Ketharine Campbeil in Frankfurt

DEUTSCHE BANK, West Ger-

many's largest commercial bank, is taking advantage of the continued buoyancy of the German stock market to seek DM1.66bn (\$990m) in a one-for-17 rights issue at DM600 per share. The bank's last rights issue wss exactly s year ago, when it raised

Any market impact of yester-day's announcement, which came after the close of the official Frankfurt bourse, was largely off-set by the forecast of a DM2 increase in the dividend to DM14 for the 1989 financial year. At the same time, the supervisory board announced the sppointment of Mr John Craven, chairman of the recently acquired UK investment bank Morgan Grenfell, to the

managing board.

Mr Craven is the first non-German director on the Deutsche board, but his precise responsibil-ities are yet to be defined in the general reshuffle of constituencies in train since the murder of

Mr Alfred Herrbausen, chief executive, in November. Meanwhile, Deutsche gave little eway as to the likely destina-tion of the new funds, characteri-

sing the capital increase only as

one that was "forward-looking," and which would give the bank flexibility as future business

opportunities arose.
Yesterday's dividend forecast, coming at the upper end of the market's expectations, was made on the strength of expected record profits, excluding extraor-dinary items, for 1989.

Partial group operating profits for the first 10 months of 1989, at DM3.18bn, represented a 33 per cent increase on the correspond-ing period in 1988.

While Deutsche shares had slipped DM4 to close at DM812 in the official market session on rights issue rumours, one Frank furt trader explained bow the dividend increase had been sufficient to put sround DM5 back on the sbares in the lster over-the-counter sess-

Also voted on to an expanded 13-member managing board was Mr Carl-Ludwig von Boehm-Bez-ing, director of the Frankfurt branch of Deutsche, as deputy director. Mr Michael Endres, Mr Juergen Krumnow and Mrs Elleo Schneider-Lenne were promoted to full directorships.

### Australian collapse hits Beazer of the UK

By Ray Bashford in London and Chris Sherwell in Sydney

and construction company, has made a £29m (\$49m) provision against its investment in an Australian developer and contractor which collapsed yesterday with debts of A\$500m (\$385m).

Girvan Corporation, based in Sydney, went into receivership following the failure of a last-ditch attempt to restructure the group and reduce its expo-sure to the depressed Australian construction and property development market.

The Commonwealth Bank of Australia and the State Bank of New South Wales are two of Girvan's principal creditors.

The company gained a listing a month before the October 1987

stock market crash and, with the shares at a peak of 125 cents around the time of the flotation, shares were selling last week at 4 cents. The Australian group's ability

to survive was the subject of months of speculation as the property market turned down in response to high domestic interest rates.

Property companies, including Hooker Corporation and Chase Corporation, have been among

BEAZER, the UK housebuilding the main victims of the corporate malaise which has also claimed the Qintex media and resorts empire and the Linter textiles empire and the Linter textiles group. Beazer acquired the 14.5 per cent bolding in Girvan in early 1988, as a preparatory move to an increased involvement in the Australian market. The £29m provision — which will be included as an extraordinary item in Beazer's interim results to be announced in mid-March—will cover the full cost of the in vestment as well as associated restment as well as associated

In a statement to the Sydney Stock Exchange, Girvan said a meeting of its principal bankers and a leading shareholder – believed to be Mr Paul Petersen, who has slightly over 50 per cent of the capital - reviewed various proposals to restructure the com-

"The participants were unable to reach agreement on any such proposal," the statement said. As result, the board decided that the group should cease to trade and that Commonwealth Bank, as the main lender, should appoint a receiver to those companies for which it holds secu-

Lex, Page 16

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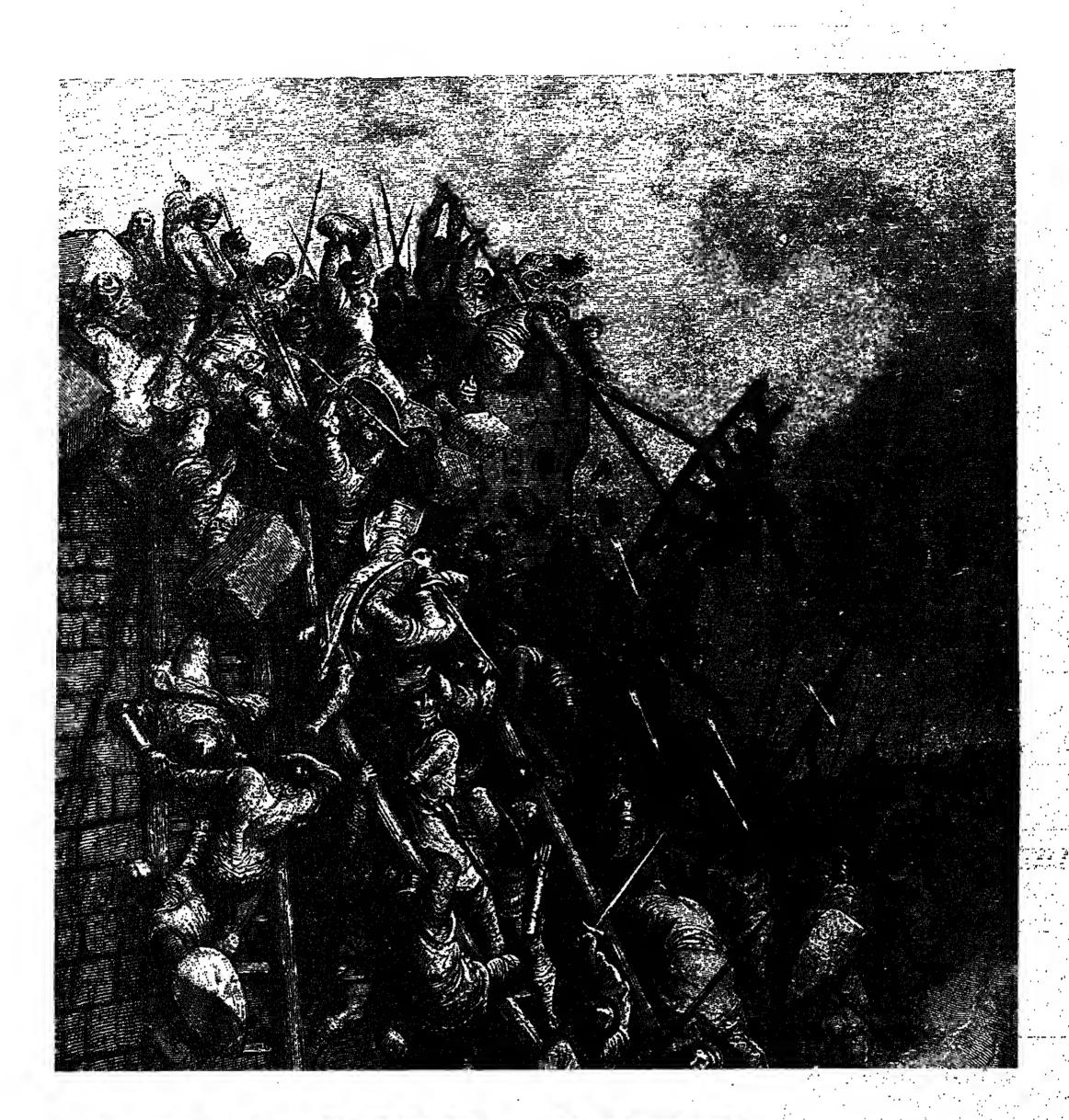
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#### INTERNATIONAL COMPANIES AND FINANCE

### BoeingFrench national power company FFr4bn in red

By George Graham in Paris

ELECTRICITE de France (EDF) the French national power company, lost FFr4bn (\$700m) last year, its second successive year of losses and the sixth time in e decade that it has been in the red.

Mr Pierre Delaporte, chair-man, described the year as "catastrophic," and complained tha French Government was refusing to allow his company to charge adequate tariffs and was preventing it from budgeting properly. \_\_\_\_\_ EDF performed well outside

France, making around FFr600m of profits from exports of electricity, principally to the UK, Switzerland and Italy, and also made e capital gain of around FFr1.1bn on the sale of e property in the heart of Paris.

On the other hand, warm weather reduced income by about FFr1.3bn from budget, while last summer's excep-tional drought cost a further FFr3.1bn, since EDF was unable to run its hydro-electric power stations and lacked water to cool its nuclear reactors, forcing it to use its more expensive coal and fuel oil generators. Mr Delaporte com-plained the Government had only allowed EDF to raise its tariffs by too little, too late.

He added that EDF's repeated losses merely fuelled the complaints of the European Commission in Brussels, which suspected his company of sub-sidising major industrial power contracts such as its supply agreement with Pechiney for a new aluminium smelter at Dunkirk. "Wa lose money one year in

two, and e company which loses money one year in two can only be suspect in the eyes of Brussels. The problem is an error in the thought processes of our shareholder, who wants us to aim only for break-even and for whom the idea of a public service company making profits is indecent," Mr

man of Chargeurs, the financial conglomerate which was Mr Berluscout's ally in the battle against Mr Hersant, refused to sign the deal, judging it "unbalanced." The court case between them, disputing the control of La Cinq's shares, will therefore continue. It is unlikely to have much effect on the television station's control, howelaporte said. Mr Delaporte added that he sion station's control, bow-ever, since Mr Hersant and Mr was not e proponent of out and out liberalisation: the example of the UK was not exactly cent of its capital.
Under the deal reached this week La Cinq will have two managing directors: Mr Yves de Chaisemartin, chief execu-

The UK was EDF's largest customer last year, bnying 12bn kiloWatt hours of electricity, the same as in 1988.

### Bouygues rises 10% to FFr570m net

By Our Financial Staff

BOUYGUES, the dominant year. French construction group, lifted attributable net profits 9.8 per cent last year to a provisional FFr570m (\$100m).

Revenues rose 14.9 per cent to FFr47hn, of which 22 per cent was derived from operations abroad. This share is expected to rise further to 24 per cent in the current year.

The ontcome excludes any contribution from partially owned offshoots Mabinvest, Saur, and the television channel TF1 - these were originally included in the eccounts for 1988, which have now been restated. The move to full control at Screg resulted in a FFr46m writedown on good-will, the same as the previous

 $v_1 \sim v_2 \gamma$ 

4

For 1990 Grands Moulins, e flour milling unit acquired towards the end of last year, is will overtake property revenues, which are not expected to improve on the 1989 level of

diversify construction, remains by far the largest sector. Turnover there was FFr33.7hn last year and is projected to rise to

FFr35.9m this year.
A FFr5 per share initial dividend payment is being madenext mouth.

#### expected to assist e nearly two-thirds jump in sales out-side its mainstream activities. If these reach the forecast FFr9.8bn, up from FFr6bn, they

In spite of the moves to

Haig Simonian on celebrations as Dresdner Bank moves back to East Germany

Unusually emotional bankers return home

oday, two Lufthansa charter jets carrying the cream of West Ger-many's financial journalists will touch down at Dresden airport in East

The landing follows the arrival yes-terday of e special train carrying the entire board of Dresdner Bank, West Germany's second biggest financial institution, which held its regular board meeting on the move to help occupy its

Both sets of visitors are part of an unprecedented celebration on the part of the city and the bank of the same name to mark the latter's return to its "home town" after decades eway.

While Dresdner Bank's manner of marking the occasion is unusually emo-tional — today's guests will include the bosses of all its regional head offices, as well as one junior member of staff from every main branch – it is by no means alone among German financial institu-tions. For where West Germany's businessmen venture, their bankers tend not to be far behind.

The rocketing interest in co-operation between companies on the two sides of the East-West German divide after last year's political upheavals is already having repercussions in West German banking. So far, the banks have reacted in two ways to the opportunities which have suddenly presented themselves.

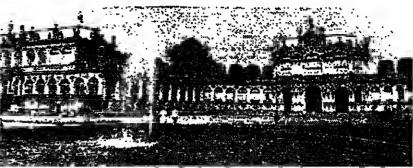
Most have announced plans for new operations in East Germany, ranging from ambitious schemes to set branch networks catering for all 16.5m East Germans to more modest propos-als for small representative offices in East Berlin. Financing the growing two-way trade and the joint ventures in the offing - the banks' second obvious focus of interest - has been a much slower process.

While announcements have flowed thick and fast in recent weeks about the new offices being established in the east, none of the banks has as yet been particularly effusive on what they intend to do there,

The vegueness is understandebla given the continuing uncertainty among German industrialists as to the speed and scope of political liberalisation in the east. There is little doubt that West German banks expect to get the lion's share of any business genereted. The West German banks have just closed a record year, bolstered partly by strong credit demand as e result of the booming domestic economy. Many still have plenty of money to lend, and most are looking to the east for untapped

Some banks have already gone out of their way to try and smooth their pas-sage into East Germany.

No one has suggested that the speed with which Dresdner Bank opened its new Dresden office was directly related to its decision to set up a DM20m cultural fund for the city, but the coinci-



Zwinger Palace, Dresden: Dresdner Bank made an emotional return to the city

dence was certainly striking. Other banks have not been so munifi-cent. Deutsche Bank, the country's big-gest financial institution, has proceeded cautiously so far, in spite of the much-quoted belief of its late chief executive, Mr Alfred Herrhausen, that reunifica-tion between the two Germanys is "desirable and inevitable".

The bank is not opening branches or offices, pending evantual changes in East German law to permit normal banking business by West German banks. However on Mondey it appointed regional teams to six East German cities.

ther banks are being similarly careful. West Germany's savings hanks have offered know how and co-operative links with East Ger-many's 196 savings banks, but not

And one leading building society wants to set up an information office to teach the East Germans how to save for their own homes after commissioning a survey showing that 61 per cent of them were ready to save regularly for a new house - provided the state made it

industry is the banks' prime focus of interest. The acute need for capital to modernise outdated East German factories and the funding required for joint ventures are far more tempting in the short term than any distant dreams of covering the country with branches.

According to a survey by the West German IFO economic institute, 40 per cent of West German companies plan to become involved in the DDR in some

Mr Ernst-Moritz Lipp, Dresdner Bank's chief economist, says "to rein-vigorate the economy, it is essential for

the GDR to permit the free inflow of capital as soon as possible."

Each bank has its own preferences. Bank für Gemeinwirtschaft, still partly owned by West Germany's trade union movement, cites short-run trade finance and middle-term funding for capital goods imports as its reasons for opening in East Berlin.

Westdentsche Landesbank stresses the special role of North Rhine Westphalia, its home state, which accounts for about one third of all inner-German trade.

EASTERN BLOC VENTURES ANNOUNCED IN RECENT WEEKS • Deutsche Bank, West Germeny's biggest financial institution, has

appointed regional teams to six East German cities.

West Berlin's Berliner Volksbank is to take a 10 per cent stake in its East Berlin counterpart of the same name, marking the first shareholding by a West German bank in a counterpart across the border.

Deutsche Genossenschaftsbank (DG Bank), the umbrella body for the

co-operative banking movement, wants to open an East Berlin representative office and is also discussing ways to modernise East Germany's co-operative

 Bank für Gemeinwirtschaft is opening an East Berlin representative office. Commerzbank has won approval for a "contact office" in the city, which opened on January 24.

 Munich-based Bayerische Hypotheken-und Wechselbank, Germany's seventh largest bank, plans to establish offices in East Berlin, Leipzig and Dresden, and to convert them into full branches as soon as possible.

• DG Bank and Berliner Handels- nud Frankfurter Bank, a leading merchant bank, have set up Dentsch-Ungarische Bank with the Notional Bank of Hungarische Bank with the Notional

Bank of Hungary and the country's Foreign Trade Bank.

Berliner Bank has set up a joint venture company with Budapest-based Dunabank RT to provide computer automation hardware and services for banks in Hongary.

So far, Dresdner Bank appears to have got a neck ahead of its rivals in the race to set up shop in the east.

Sending three executives to its new Dresden office is justified by the need to facilitate the "new economic orientation of the DDR through a transfer of capital technology." capital, technology and management skills from the west," it says. "The office has had to deal with a

flood of enquiries from all corners of East and West Germany." Dresdner Bank said in a first appraisal just nine days after the new bureau was opened. The bank is also offering East German companies looking for western partners a year's free access to its international

usiness database.
Although East Germany is the obvions focus for the banks' new activities, it is by oo means their only area of interest in Eastern Europe.

Even before the collapse of the Honecker regime, Deutsche Bank had Honecker regime, Deutsche Bank had announced it was setting up representative offices in Budapest and Warsaw. The bank already clears about 18 per cent of the value of two-way trade in goods and services between West Germany and Poland, it says.

Moreover, the ellure of eastern Europe for the financial sector is not limited to the banks, in mid-December

limited to the banks. in mid-December Allianz, Europe's biggest iosurance company, bought a 49 per cent stake in Hungaria Biztosito, one of Hungary's two leading insurers, for an undisclosed

he Hungarian group, which had premium income of around DM340m (\$203m) last year, has e 44 per cent share of the domestic insur-ance market and is the country's leading industrial insurer, according to

The deal represents the second big-gest investment by a western company in the country, say the Hungerian authorities. It easily overshadows the purchase by Colonia, another big German insurer, of e 12 per cent share in Atlasz, a Hungarian travel insurer, last

Allianz, which is also getting e say in running the group, bopes its stake will not only open the door to the Hungarian industrial insurance market, but also provide a leg up when it comes to selling insurance to the increasing number of western companies planning

to do more business in Hungary.
The insurers beve a point. Rising industrial output in West Germany will boost the demand for insurance, while growing East-West trade will further stimulate the business. And further down the road, the East

European countries could represent pre-cisely the same opportunities in life and health insurance that are currently making Spain and Portugal such ricb pickings for established northern Euro-

#### Heineken blames planned job cuts on flat sales

By Laura Raun in Amsterdam

HEINEKEN, tha Dutch beer and fickle ones are turnplans to scrap 700 of its 4,000 jobs in the Netherlands by 1993 because of flat sales, changing tastes and com-

The job cuts will affect all departments except those directly concerned with production, marketing and sales of beer, the company said yesterday. Last October Heineken announced plans to spin off its computer department to Electronic Data Systems of Spijkenisse near Rotterdam in e cost-

cutting move. Heineken, which is the third largest brewer in the world, expects many of the pressures of tha 1980s to continue into the 1980s. Health-couscious

ing to other brands, while the adventurous are demanding new products, such as light

and dry beer. In the Netherlands, which accounts for about one-quarter of total sales, Heineken's overwhelming market share of 58 per cent in 1980 has plunged to about 52 per cent. In the US, which imports its beer from the Netherlands, Heineken'e market ahare has slowly shrunk in the face of heavy competition from other foreign beers and e weak dollar.

Last year the top management of Heineken Nederland, the Dutch unit, was completely replaced in a major shake-up that left Mr R.V. Strobos, in

### Petrochemical slowdown

By Tim Dickson in Brussels .

| La Cinq TV

deal set to

lift role of

Berlusconi

THE TWO main shareholders

in La Cinq, France's fifth tele-vision channel, have reached a

deal which is expected to lead to an increased role in the

to an increased role in the management of the station for Mr Silvio Berlusconi, the Italian television magnate.

Mr Berlusconi and Mr Robert Hersant, the French press baron who is chairman of La Cinq, signed an agreement on Monday, putting an end to the legal dispute between them over the control of the station.

Mr Jerome Seydoux, chair-

Mr Jerome Seydoux, chair-man of Chargeurs, the finan-

Berlusconi each own 25 per

tive of the Hersant group, and Mr Angelo Codignoni, the Ber-Insconi group's representative

in France.
The deal is also understood

to involve a reorganisation of

the loss-making television sta-tion's advertising and pro-gramming functions, giving an increased role to Mr Berlus-conf's organisation.

La Cinq, created in 1985,

was originally run as e joint venture by Mr Seydoux and Mr Berlnsconi. They were

stripped of their concession

when the French government changed in 1986, but joined a

consortium led by Mr Hersant to bid for e new concession. Mr Hersant has been in

Mr Hersant has been in charge of La Chn since 1987, but his management has been increasingly contested by Mr Berhusconi. Mr Seydoux owns 7.34 per cent, and Mr Jean-Marc Varnes, an ally of Mr Hersant, owns 10.89 per cent. Other shareholders have been keen to sell out of the

been keen to sell out of the television station, which has lost a total of FFr2.2bn in the

By George Graham

of group consolidated profits rose 8 per cent last year to an estimated" BFr21.8bn (\$62m).

A atatement ascribed the

improvement to "better results in the petroleum sector, which largely compensated for the Downstream sector margins

increased in comparison with

NMB POSTBANK EXPANDS CAR HIRE

NMB Postbank of the Netherlands has

bought Leasing Principals, the vehicle leasing subsidiary of Rockwood Hold-ings, the UK transport group, as part of

foreign expansion plans, writes Laura Raun in Amsterdam.

Leasing Principals has a fleet of 3,000 autos and will complement NMB Lease,

the bank's UK leasing and financing subsidiary set up last October. NMB Postbank, the result of the recent

merger of NMB and the Postbank,

refused to disclose the purchase price.

NMB Lease is the higgest leasing

NMB Lease is the higgest leasing company in the Netherlands and provides passenger cars, trucks and aircraft. Leasing Principals will be managed by CW Lease, the NMB Lease subsidiary, which was founded in 1977, is the second largest vehicle leasing company in the Benelux after Lease Plan Holding and has 25,000 cars.

NMB Postbank, which is aiming to expand in France and Germany as well.

PETROFINA, the Belgian oil mance in 1988, profits were and petrochemical concern eroded by the increase in sup-announced last night its share plies but according to the stateplies but according to the state-ment they "remained overall at

a satisfactory level". Group capital expenditure was approximately BFr50bn. in 1969. New investment commitments in 1990 " will be of the sama magnitude" whereas expenditure will amount to about BFr65bn.

Correction '

Lego

LEGO, the Danish toy group, points out that the sales figure of DKr3.24bn (excluding Lego's separate Swiss and US companies) mentioned in Monday's report was for 1988. No sales figure was given for 1989.

### holds Petrofina to 8%

slowdown in petrochemicals".

The group, Belgian's biggest industrial company, revealed e 32 per cent jump in gas production to 5.7bn cubic metres and a 4 per cent rise in crude oil production to 5.9m tonnes.

1988, refineries operated at full capacity, and petroleum prod-uct sales rose by 8 per cent. In petrochemicals, where the group achieved a record perfor-

#### SAINT GOBAIN IN 1989 ANOTHER YEAR OF GROWTH

The Group profited in 1989 from a favourable environment in almost all of its activities, it was therefore able, at the same tima to increase profits, to raise investment to a record level and to davelop by external growth.

Based on presant estimates presented to the Board of Directors held on January 18, 1990, the key consolidated figures are as

In millions of French Francs	1989 Estimated	1988	1987 Restated
Sales	66 000	58 875	54 602
Oparating Incoma	8 800	8 026	7 267
Income before tex and profit from			
the sale of non-current assets	7 300	6 465	5 335
Net income from consolidated subsidiarlee	5 000	5 061	3 489
Net income	4 300	4 044	2 523
Net income, excluding profit from			
the sale of non-current assets	3 600	3 077	2 129
Resources from operations (cash flow)	8 200	7 105	6 207
Capital expenditure on plant and equipment	6 200	5 367	3 530
Total investment outlay	4 300	7 145	2 005

Sales increased by 12% and on a comparable basis by 9%. The Group has consolidated companies acquired recently, in particuler Vetri (bottles, Italy), Stattnar, TSL and Nuove Sirma (Industrial ceramics, Germany, Great Britain and Italy), Eurocoustic and Glasuld (insulation, France end Denmark), and SISA (cardboard packaging, Italy).

These sales are split: France internal market 30%, exports from France 12%, other European Countries 37%, the Americas 21%. Operating incoma has increased by 10%. It is stated after the depreciation charge (MFF 3 700) which has increased by 20% following the mejor capital expenditure programmes in recent years and a charge for provisions (MFF 900)

Income before tax and profit from the sale of non-current assets has increased by 13%. It is stated after interest expense (MFF 1 200) and non-operating costs (MFF 500) close to those of last yeer.

Profits from the sale of non-current assets have dropped sharply (MFF 600 against MFF 1 114 in 1988.) The income tax charge (MFF 2 800) has increased by 13%.

Net income, after deduction of minority interests in Group subsidiaries, has increased by 6% and, excluding capital geins by 17%. Earnings per share based on the number of sharee issued at December 31, 1989 (62 066 010 sharea) are FF 69.3 against FF 70,4 for 1988. Excluding capital gains they are FF 58 per share against FF 53,6 in 1988.

Capital expenditure on plant and equipment increased by 16% over 1988. It demonstrates the continuous and considerable effort of construction and renewal of plants which the Group has successfully undertaken. The expenditure is largely covered by cash flow, which has increased by 15%. In addition there are significant acquisitions of companies which have partly contributed to the growth of the Group. The financing

of the acquisitions has been made with a limited increase in net indebtedness. Net indebtedness is some FF 9 800 million against FF 8 565 million at December 31, 1988 which ensures that it is kept to a satisfactory level in comparison with total net equity which is now above FF 30 000 Million.

A review of performance by geographical area shows a further increase in the constribution to net income realised by the French companies in the Group which now account for 44%, a percentage close to thair contribution to sales. Other European countries contribute 36% and the Americas 20%.

All the industrial divisions have made positive contributions to net income. The Container, Inculation, Fibre Reinforcement and Industrial Ceramics divisions have again improved their performances. The Flat Glass and Pipe Divisions have maintained them at high levels. The Paper-Wood division has confirmed its return to a satisfactory level. Only the Building Materials division, due to the importance of its sales in North and South America, has a alight decline in profits compared with the previous year.

The progression of results in 1989, their better distribution by activity and by country, reflect the strengthening of the positions of Saint-Gobain. The forecasts made for 1990 confirm the benefit of the decisions taken in recent years and the development prospects of the Group.

> Compagnie de Saint Gobain Investor Relations Department

### Lease Plan expects big expansion

By Andrew Baxter

LEASE Plan Holding, the Dutch company which claims leadership of the highly-com-petitive European contract car hire, fleet management and leasing market, plans a big expansion over the next five years to take advantage of the opportunities offered by the 1992 single market reforms. Dr Anton Gondsmit, managing board chairman, said he would be surprised if the company did not double in size over the next five years. Lease Plan, majority owned by the Bank Mees & Hope unit of Algemene Bank Nederland, already runs

more than 100,000 cars and trucks in 13 countries, and had assets of F12.77bn (\$1.46bn) at the end of last June. Lease Plan claims to be the only leasing company to have e European network already in place, which the company

believes will be essential after the 1992 reforms. "Commercially it is not feasible to work from one country. The key thing is to have a strong presence in every EC country,"
Dr. Gondsmit said.

This is partly because, in e business where fiscal policies play a significant role, there will still be immense differences between individual EC countries after 1992. These variations will fade away.

atter 1992. These variations will lake away, but only gradually, said Dr Goudsmit.

There are also significant differences in national characteristics. Whereas the UK and Netherlands markets have reached a high level of maturity, and are not expected to continue growing at recent annual rates of 20 per cent, other markets, such as German there. State and Italy are con-

rates of 20 per cent, other markets, such as Germany, France, Spain and Italy are considered "virgin territory" for Lease Plan.

In Germany, for example, the strong ownership mentality, coupled with the dominance of purely financial leasing offered by banks and vehicle manufacturers, has prevented the full development of contract hire and fleet management with its coupled have a ways of the contract hire and fleet management with its service-based approach. However, multinational customers with

a presence in these countries have wanted these services, explaining why Lease Plan

expand in France and Germany as well, is the second Dutch bank to buy a foreign leasing company this month. Amsterdam-Rotterdam Bank acquired Frankfurter Kredietbank, e leasing

company in Germany.

has been active internationally since soon after it began contract hire about 20 years The company ettributes its growth The company entributes its growth largely to the success of its so-called Open Calculation System for operating leasing. This aims to combine the contract hire approach — leasing vehicles at a fixed annual rent, including whatever services the client wishes — with fleet management where the costs of running a fleet

ment, where the costs of running e fleet are controlled and managed.

The OCS system works by explaining all the costs to the client at the start of the lease term, and then comparing these with the actual cost at the end of the term. If

the actual costs are lower, or if the car yields more than expected when sold sec-ond-hand, the "profit" is put into e pot along with any profit or loss from the client's other terminated leases.

At the end of each year the client's total profit or loss is calculated and any profit returned to the client. Any losses are absorbed by Lease Plan. Last year the company refunded FI 59m

to clients, including £400,000 on the 2,000 cars it leases in the UK. Although the disadvantage of the system is the obvious reduction in profit margins, Mr Norman Donkin, managing director of Lease Plan UK, said: "It gives us our USP (unique selling point) and we have tremendous customer loyalty."

Despite the current differences between individual markets, Dr Goudsmit said "the best product will win in Europe because the borders are fading eway."
With OCS as its spearhead, the company
wants to expand worldwide, and sees the

devalopment of fleet management in Cer-many and France as the likely major prior-ity in the next few years. It has yet to open in Italy, and sees "tremendous opportuni-

in trary, and sees tremenous opportunities" in Spain.

Until last February, Lease Plan had been owned by e small group of banks and institutions, including the Royal Dutch/Shell pension fund, each of which had stakes of about 20 per cent. This gave Lease Plan the flexibility to experiment with OCS without coming under measures. with OCS without coming under pressure from individual shareholders worried about their investment, said Dr Goudsmit. To support its current expansion plans,

Lease Pian wanted a simpler ownership structure with one or two banks giving fuller commitment to the company. It had hoped that Crédit Lyonnais, one of the original shareholders, would increase its stake but the French bank sold ont when it was unable to take full control. Evectually, the bit the bank takes and because it is the bit take full control. ally, it is likely that Lease Plan will be owned fully by ABN, Dr Goudsmit indi-

Mexico to

debt/equity

THE Mexican Government will restart its auctions for debt-

to-equity swaps over the next

two to three months, Mr Pedro

Aspe, the country's Finance Minister, said yesterday.

The anctions are provided for in the country's new debt accord with commercial banks, under which it agreed to exchange foreign bank loans of \$3.5ba into rights to invest in equity in Mexican conventes over a three-and-a-

companies over a three-and-a-baif year period. Under the

agreement, such swaps have been limited to privatisation issues and specified infrastruc-

The anctions are provided

INTER

Loan

4: L &

restart

auctions

By Stephen Fidier,

Euromarkets

Correspondent

30th January, 1990



#### CHUBU ELECTRIC POWER COMPANY, **INCORPORATED**

U.S.\$270,000,000 9 per cent. Bonds 1997

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#### N B BANK

#### Nederlandsche Middenstandsbank nv

U.S. \$100,000,000 Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that, for the six month period 31st January, 1990 to 31st Jajy, 1990, the Notes will bear interest at the rate of 81% per cent. per annum. Coupon No. 10 will therefore be payable on 31st July, 1990, at the rate of US\$10,919.70 from Notes of US\$250,000 nominal and US\$436.79 from Notes of US\$10,000 nominal.

> S.G.Warburg & Co. Ltd. Agent Bank

U.S. \$100,000,000

#### FIDELNIY FEDER

SAVINGS AND LOAN ASSOCIATION

Collateralized Floating Rate Notes Due 1992

Interest Rate

81/2% per annum

Interest Period

31st January 1990

30th April 1990

U.S. \$100,000 Note due

#### U.S. \$300,000,000



#### Woodside Financial Services Ltd.

(Incorporated in the State of Victoria Guaranteed Floating Rate Notes due July 1997 Unconditionally Guaranteed by

Australian Industry Development Corporation In accordance with the terms and conditions of the Notes, notice is hereby given, that for the Interest Period from January 31, 1990 to April 30, 1990 the Notes will carry an Interest Rate of 8%% per annum. The amount payable on April 30, 1990 will be U.S. \$5,176.22 and U.S. \$207.05 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

January 31, 1990



#### US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997 CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)
Unconditionally guoranteed on a subordinated basis by

#### CITICORPO

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date April 30, 1990 against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$210.14.

By: Citibank, N.A. (CSSI Dept.), Agent Bonk CITIBANG

#### CITICORPO

U.S. \$350,000,000 Snbordinated Floating Rate Notes Due November 27, 2035 Notice is hereby given that the Rate of Interest has been fixed at 8.4125% in respect of the Original Notes and 8.5% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 52 in respect of US\$10,000 nominal of the Notes will be US\$65.43 in respect of the Charles and US\$65.41 in respect. respect of US\$10,000 nominal of the Notes was to Section 1997 the Enhancement Notes of the Original Notes and US\$66.11 in respect of the Enhancement Notes.

lanuary 31, 1990, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

Interest Amount per

30th April 1990 U.S. \$2,101.39

Credit Suisse First Boston Limited

#### U.S. \$150,000,000

#### **CHASE MANHATTAN OVERSEAS BANKING CORPORATION**

FLOATING RATE NOTES DUE 1993

For the six months 31st January, 1990 to 31st July, 1990 In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 89/1s per cent and that the interest July, 1990 against Coupon No. 24 will be U.S.\$43.05. nt Bank; Morgan Guaranty Trust Company of New York, Londo

US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

#### CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware) Unconditionally guaranteed on a subordinated basis by

#### CITICORP 6

Notice is hereby given that the Rate of Interest has been fixed at 8.5% and that the interest payable on the relevant Interest Payment Date April 30, 1990 against Coupon No. 22 in respect of US\$10,000 nominal of the Notes will be US\$210.14.

January 31, 1990, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANCO

### U.S. \$500,000,000 CITICORP

Subordinated Floating Rate Notes Dus January 30, 1998 Notice is hereby given that the Rate of Interest has been fixed at 8.3875% and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 49 in respect of US\$10,000 nominal of the Notes will be US\$65.24.

January 31, 1990, London By: Citibank, N.A. (CSSI Dept.), Agent Bank

### INTERNATIONAL CAPITAL MARKETS

### Moody's downgrades top Australian banks' debt

MOODY'S Investors Service yesterday downgraded its sments of Westpac Banking and the National Australia Bank (NAB), two of Australia's big four commercial banks.

The action follows a review of the banks long-term debt ratings and lifts their foreign borrowing costs. Moody's began the review in November amid concern about worsening domestic asset quality caused by high interest rates and a possible economic downturn.

The agency had previously lowered its rating by one notch from Aa1 to Aa2 - on US\$23bn of debt issued by the Federal Government and its agencies. This was mainly because of the country's heavy burden of external debt and

the slow pace of government squistment policies.

That change, made in August, also affected Westpac and the NAB, making yesterday's downgrade the second in five months, affecting US\$2bn of Westpac debt and US\$1.2bn of NAB debt.

THE ECU bond market's reputation for illiquidity may be exaggerated, according to a survey of leading institutional investors by Swiss Bank Corporation. The survey found that about 70 per cent of the

that about 70 per cent of the investors asked were involved

Some 62 per cent of active investors said they generally held all or some of their positions at least beyond 12

months. The survey said this supported the idea that Ecu

bonds were held longer than in other currencies, perhaps

adding to the perception of illi-

By Martin Dickson

in the market.

For Westpac, Moody's rating for long-term deposits was low-ered to Aa3 from Aa2, for subordinated debt to Al from Aa3, and for non-cumulative pre-ferred stock to "a2" from "a1". For NAB, the agency's ratings were similarly lowered: for long-term deposits to Aa3 from As2, for senior debt to

Aa3 from Aa2, and for sub-ordi-

nated debt to A1 from Aa3.

Australia's other two principal commercial banks were not directly affected by the decision. The Commonwealth Bank, being federal government-owned, enjoys federal government-owned, enjoys while the government ratings, while the ANZ Banking group is not rated by Moody's.

Moody's said that Westpac had sharply increased its domestic lending business in the past few years and it believed that asset quality problems would arise from the bank's portfolio in this area. It bank's portfolio in this area. It pointed in particular to involvement in commercial real estate, currently facing a slowdown.

the active group said they switched or planned to switch between different Ecu bonds in

the secondary market or between new issues and sec-ondary bonds. Swiss Bank said this suggested that "liquidity

might not be as big a problem

And ahout 50 per cent of those involved said they

switched, or planned to do so, between Ecu bonds and some

of the components, such as

German bunds or French

OATs, on a regular basis.

A slight majority felt there

was no useful benchmark in

FT INTERNATIONAL BOND SERVICE

VEN STRATERITS

E.t.8, 4% 93 Ireland 54 9

uidity. the market, although around However, some 68 per cent of 38 per cent felt the French Ecu

The agency cited similar problems for the NAB, but pointed to two other develop

• This month's acquisition of Yorkshire Bank in the UK. The purchase price of £976.5m conof goodwill, thereby reducing the bank's adjusted net worth, Moody's said.

• The NAB's exposure to the operating companies of the troubled Bond group. Although the bank's "sound documentation" meant this should not result in a material loss, Moody's said it "did not rule out the resultility that some of out the possibility that some of NAB's Bond exposure could be classified as non-performing in the future." It added that NAB's recovery rate would be

grading as an inevitable conse quence of the Australian econ omy's condition rather than their own, and point out that the new ratings remain high among the 19-odd gradings given by Moody's.

OAT was becoming one. Only 50 per cent of active investors thought that Britain's Trea-

sury bill programme denominated in Ecus had been helpful in promoting the bond market.

Among those not active,

about 55 per cent mentioned the perceived lack of liquidity

and nearly 75 per cent said they would consider investing if liquidity could be improved.

Nearly 90 per cent of active investors welcomed the news

that the Matif exchange in

Paris was planning to intro-duce an Ecu futures contract

this year based on the French Government's Ecu OAT 1997

### Average price change... In day 41 on week 40%

| Change ### Value | Change | Cha

" No information available previous day's price 7 Only one market maker supplied a price Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of carrency units except for Yen bonds where it is in billions. Change on week = Change over price a

Concesses to the second series of the second second series of the second second

compon.

Convertible Boads: Denominated in dollars unless otherwise indicated.

Chy. day: Change on day. Chy. date: First date of conversion into shares. Chy. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue, Frem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

CONVENTIBLE
BONDS
Alexa 6-1, 02 US.
Amer. Brands 7-1, 02 US.
Asda 4-1, 02 E.
CSS. Inc. 5-02 US.
Dal-Ichi Kan. 3-7, 04 US.
Primerica 5-1, 02 US.
Esp. China Clay 6-1<sub>2</sub> 03 E.
Fullitas 3 99 US.
Ladbroke Gra. 5-1, 04 E.
Lands

Minofta Camera 24, 940 M
M CA Lee 54, 92 US
M CA Lee 54, 92 US
M CA Lee 54, 93 E
M C

Texas lest, 27, 9205.

era 24, 94DM....

| Specific | Specific

are financings. Mexico suspended a previous round of debt-equity auctions in the middle of 1988, although it has since allowed some swaps - equivalent to about \$2.5bn in face value of bank debt - held up since hen to take place. Ecu bond market 'not illiquid'

The final signing of the bank accord begins on Sunday in Mexico City. Mr Aspe said in London that he wanted the auction to take place "as soon as possible," in the next two to three months. The Govern-ment intended to be flexible about the amounts to be

Mr Aspe said it was envis-aged that an auction for the swap rights would take place first, followed by auctions for companies that the Government plans to sell, such as Cananea, the state copper con-cern. The assets will be denominated in US dollars, he

The Government held out strongly against a broad agreement on debt equity swaps, believing that they encourage either monetary expansion - because local currency is created - or higher interest rates if government paper is issued to offset the monetary expansion.

ment also thought that, among other things, such swaps were detrimental to investment, encouraging would-be foreign investors to wait until the next debt equity swap auction to buy local currency for investment at subsidised rates,

#### Chilean pension funds to be able to invest abroad

By Barbara Durr in Santiago

UNDER: new legislation, Chile's private pension funds are to be allowed to invest up to 10 per cent of their funds abroad. The pension funds cur-rently hold nearly \$4bn and make up the single largest investor group within Chile's capital market.

The Superintendency of Administrators of Pension Funds, the Chilean regulatory body, said the funds would be allowed to invest in bonds, equities and other financial instruments that carry guarinstruments that carry guarantees from foreign governments, central banks or commercial banks. These would include investment funds, be they for risk capital, short-term commercial paper or real estate.

The investments are to hegin gradually, starting with 1 per cent each year for the first five years. Thereafter, the remaining 5 per cent can be invested immediately. The amounts going abroad are to be monitored by the central

The foreign investments. The foreign investments, like all those made by Chilean pension funds, will be subject to a risk assessment classification. The official Chilean risk classification board will set the standards, using international risk assessments.

tine standards, using interna-tional risk assessments.

The legislation has been approved by the military junta and is awaiting review by the constitutional tribunal. The Superintendency does not anticipate problems in the final review.

#### **Outstanding sterling** paper up 5% in 1989 By Martin Dickson

SOME £3.5bn of sterling commercial paper was out-standing at the end of 1989, up 5 per cent on the £3.33bn at the end of the previous year, the Bank of England

the Bank of England announced yesterday.

During December last year, redemptions of £3.85bn outstripped issues, which totalled £3.1bn, and the total outstanding fell by £74m.

Banks in the UK reported holdings of £3.42m on their own accounts at the end of December, a fall of £97m on the month.

the month.

The outstanding issues at The outstanding issues at the year-end comprised 147 issues by UK companies, total value £3.16bn, nine by overseas companies (guaranteed by UK parents), with a total value of £238m, and is by overseas companies. overseas companies, value

علَّذ امند لأص

#### INTERNATIONAL COMPANIES AND FINANCE

### Philosophy of gain through pain

Robert Thomson follows the ups and downs of Kumagai Gumi

umagai Gumi does not lack ambition. The Japanese construction company recently finished a road and rail tunnel under Hong Kong Harbour, is lumbered with a new 51-storey office-hotel-spartment complex in unfashionable Peking, and has just finalised a takeover of

nas just manusco a takeover of Ranelagh Developments, a private UK property company.

In telling the Kumagai Gumi story Mr. Nobuyuki Inazu, its deputy general manager of international operations, makes clear that the company has been as unconventional as has been as unconventional as it has been successful in its extensive foreign

These began in 1961 when the company was the first Japanese contractor to win an international tender, for a water channel in Hong Kong although a typhoon interven and the company lost money on the deal...

"When we started in over-seas contracts some other Japanese companies were involved in foreign work, but only through Japanese government grants. It is not easy to win an international tender, and other big Japanese companies started competing in 1975," Mr Inazu said.

The contradiction is that the margins are greater in the cos-ier domestic construction market, and that Kumagai's profits tend to rise as a percentage of capital when the ratio of over-

The company, with its no pain, no gain philosophy, is almost proud that it has taken a bruising on some of the more ambitious projects.

That pride does not extend to a bankruptcy filing late last year by KG Land New York, a US subsidiary, for a joint venture company, Americas Tower Partners, established with New York Land Development, which had financing plans for a 48-storey Manhattan building undermined by a past relation-ship with the late Mr Ferdinand Marcos, the former Phil-

ippine president.
"We provided finance for the deal, but our partnar was involved in the Marcos scandal

Bank of Montreal

U.S.\$250,000,000

Floating Rate Debentures.

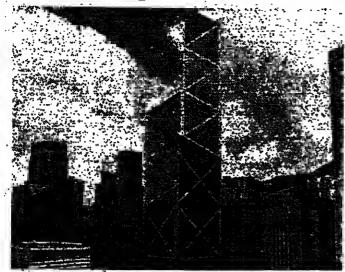
Series 9, due 1996

Notice is hereby given that the Rate of Interest for the three mouth

period 31st January, 1990 to 30th April, 1990 has been fixed at

8½ per cent. The amount payable on 30th April, 1990 will be U.S.\$210.14 against Coupon No. 24.

Morgan Guaranty Trust Company of New York



The Bank of China HQ in Hong Kong, built by Kumagai Gumi

The Japanese company was keen to have a Peking presence

on a deal that extends well

beyond the 1997 Hong Kong

Rumagai and, in particular, the Hong Kong offshoot, have invested heavily in the success

of China's reform programme

They built the new, 70-storey Bank of China headquarters in

Hank of China headquarters in Hong Kong, Asia's tallest building, and are involved in a project to develop a condominium, hotel complex in Hainan Island, the Chinese province to the south of Hong Kong.

"We are cautiously watching developments in China hefore

developments in China before we make a final decision on

the Hainan project," Mr Inazu

in Peking, the Jing Guang Cen-tre, the company is "trying to lease space" but admits that

prospects have been damaged

by the crushing of the pro-de

mocracy movement last June.
The company, through its
wholly-owned Kumagai Gumi

UK, is involved in 13 projects in central London, and the pur-chase of Ranelagh Develop-

ments for a reported Y2bn

(\$13.97m) is intended to strengthen its construction ser-

As for the 51-storey building

and Hong Kong's future.

and could not provide finance. We decided that the best thing to do was announce bank-ruptcy. We hope that the project will be completed, then we can sell it, and give back money to the creditors," Mr Inazu said. "It has been very disappointing." disappointing."
The problems with the joint

venture, in which the company has reportedly invested \$180m. highlight a danger of the Kumagai strategy of taking a very active financial role in

The benefits of such a commitment are more obvious in the Hong Kong harbour tunnel, as the company has a majority management stake under a 30year BOT (Build, operate and transfer) package, similar to thet for the construction of a road tunnel under Sydney Har-

aving completed the Hong Kong project last September, four months ahead of schedule, Kumagai Gumi and Kumagai Gumi Hong Kong, in which the parent has a 35 per cent stake, are sharing tha raceipts with partners such as the state-run China International Trust and Investment Corporastrong demand in London because of its role as a finan-cial centre. It'e a very strong and stable market," Mr Inazu

He explained that the company has brought its tech-niques for consensus-building to London in handling on-site

complications.

We have a lot of meetings.

Every week we get together and discuss design difficulties or other problems with all the companies involved. This may bother other contractors, but if we have these meetings, we can solve problems before they get too serious," he said. While Kumagai has been to China, Mr Inazu does not think Eastern Europe will be a pseful market in the short-term.

"If you abide by the basic principles of building quickly, cheaply and with high quality, then your company should be a success," he commented. "We are prepared to share our know-how in Eastern Europe when the market operates on those principles, but that may not be for 10 years."

apanese construction companies, generally, have been consistently criticised by the US for their cosy relationships that are said to restrict opportunities for for-eign contractors in Japan.

This system of dividing work evenly among companies is known as dango, and Mr Inazu has strong opinions on the subject. "Personally, I think the dange are a good idea. It comes back to the basic principles of cost, time and quality. The best way to work is to have a stable relationship with the other companies working with you You have to have confidence in them," he said.

The company expects that overseas contracts will comprise about 26 per cent of sales or about Y270bn this year. While total orders in the next fiscal year from April are expected to rise 20 per cent to Y1,300bn, the foreign share will fall, partly because of a surg-ing domestic construction mar-ket.

#### vices operations. "There is Sanyo Electric exceeds forecast with Y16.8bn By Our Financial Staff

SANYO ELECTRIC, that dards for the current year it Japanese efficiency group, is inscasting consolidated net made worldwide net profits of profits of Y25bn, Y16.85bn (\$117.5m) for the year. Sales, which overall reached

to November, more than 21/2. times higher than the previous year and meeting a forecast it made last July that earnings would reach Y16.5bn.

37.6 per cent improvement in pre-tax profits for the Japanese parent company to Y40.21bn. although after tax the parent's contribution, at Y20.28bn, was only 19 per cent higher. Group results have been restated for both years, adding

44 subsidiaries following a change in US accounting stan-

Y1,870kn compared with Y1,300kn are expected to rise to Y1,500bn this year. On a parent-only basis, the

pre-tax profit projection is for an increase to Y45bn. The annual dividend is being maintained at Y8 per share, and no rise in the payout is in sight.

During the year Sanyo set up

a facsimile machine venture with Olivetti and Mitsui & Co and agreed deals to produce audio equipment in India and refrigerator parts in the Soviet

#### U.S. \$40,000,000 6 per cent. Convertible Bonds Due 1992 NOTICE OF FREE DISTRIBUTION OF SHARES AND

TO THE HOLDERS OF

JUSCO CO., LTD.

ADJUSTMENT OF CONVERSION PRICE Pursuant to Clause 7 (B) of the Trust Deed dated June 16, 1977,

under which the ebove described Bonds were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.05 share for each one share held will be made to shareholders of record as of February 20, 1990

As e result of such distribution, the Conversion Price at which shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 5(C) of the Bonds from 731.1 Japanese Yen to 696.3 Japanese Yen effective as of February 21, 1990.

Dated: January 31, 1990

JUSCO CO., LTD.

Floating Euro-Dollar repackaged assets of the republic of Italy due 1993 FERARL! USDOL 204,000,000

U.S. \$70,000,000 Autopista Vasco-Aragonesa, Concesionaria Española, S.A.

**Guaranteed Floating Rate** Notes due 1995

The Kingdom of Spain Notice is hereby given that for the six months interest period from January 31, 1990 to July 31, 1990 to July 31, 1990 to he Notes will carry an interest rate of 8%% per annum. The interest payment date, July 31, 1990 against Coupon No. 10 will be U.S. \$430.50 and U.S. \$10,762.59 respectively for Notes in devominations of U.S. \$10,000 and U.S. \$250,000.

670,000 and U.S. By: The Chase Montation Bank, N.A. January 31, 1990

U.S. \$50,000,000 Bergen Bank A/S

Floating Rate Notes due 1991 In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from January 31, 1990 to July 31, 1990, the Notes will carry en interest rate of 11.9375%. The Interest payment date, July 31, 1990 will be U.S. \$800.19 per U.S.

> Wells Fargo & Company

January 31, 1990

U.S. \$150,000,000

Floating Rate Subordineted Notes due 1992

In accordance with the

rovisions of the Notes, notice is hereby given that for the Interest period 31st January, 1990 to 28th February, 1990 the Notes will carry an Interest Rate of 8.4125% per annum. interest payable on the relevant interest payment date 8th February, 1990 will amount to US\$65.43 per US\$10,000 Note.

Morgan Guaranty Trust Company of New York London

### sveimer

U.S. \$100,000,000

Floating Rate Participation Certificates Due 1992 issued by Morgan Guaranty GnibH for the purpose of making o loan to

> Istituto per lo Sviluppo Economico dell'Italia Meridionale

uory body of the Republic of Italy incorporated under Law No. 298 of April 11, 1953)

In accordance with the terms and conditions of the Certificates, the rate of interest for the Interest Determination Period 31st January, 1990 to 28th February, 1990 has been fixed at 81/16%. Interest accrued for the above period and payable on 31st July, 1990 will amount to US\$65.63 per US\$10,000 Certificate.

> Morgan Guaranty Trust Company of New York London Branch

#### U.S. \$100,000,000 Allied Irish Banks Pic Subordinated Primary Capital Perpetual Floating Rate Notes accordance with the provisions of the Notes, notice is hereby given, that for the three months interest Period for the three months Interest Period from January 31, 1990 to April 30, 1990 from January 31, 1990 to April 30, 1990 the Notes will carry un interest Rate of 81% per enrum. The interest payable on the relevant interest payment date April 30, 1990 against Coupon No. 19 will be U.S. \$219.41 and U.S. \$5,495.24 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$250,000. The sum of U.S. \$219.41 will be payable per U.S. \$10,000 principal amount of Registered Notes.

of Registered Notes.

By: The Classe Mankattan Bank, M.A.

January 31, 1990

CHEMICAL NEW YORK CORP. US\$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999 In accordance with the provisions of the Notes. Notice is hereby given that for the Interest period from 31 January, 1960 to 25 February, 1960 the Notes carry an Interest rate of 87s per cont.

AGENT BANK CHEMICAL BANK to 15.9bn ringgit. The group's assets were up by 8 per cent to

up from 41.4m ringgit, or 19 cents a share compared with 13 cents. The interim dividend is 9 per cent net of income tax, up from 8 per cent. Last month, the group launched simultaneous oue

share.

Malayan Banking shares are

around 13

The new issues will double The new issues will double the group's share capital to 633m ringgit. Its market capitalisetion will rise, et prices now, to 8.2bu ringgit, thereby displacing Sime Darby, the largest quoted Malaysian group.

glomerate, is to sell its wholly-owned Sabah Development to Aziatic Development, its plantation arm, for 65.3m ringgit cash, Reuter adds.

#### National Australia **Bank Limited** US\$100,000,000 Floating Rate Notes due 1997

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 31st January, 1990 to 31st July , 1990.

Interest payable on 31st July, 1990 per USS10,000 Note will be US\$436.79.

> Agent Bank: Morgan Guaranty Trust Company of New York London

Republic New York Corporation

U.S. \$150,000,000 Putable Capital Notes For the six month period 29th

January, 1990 os 30th July, 1990 the Notes will carry an nterest rate of 8.6875% per annum with an interest amount of U.S. \$439.20 per U.S. \$10,000 Note payable on 30th July, 1990.

Bankers Trust Company, London Agent Benl

#### CITICORPO U.S. \$500,000,000 Subordinated Floating Rate Notes

Due October 25, 2005

Nofice is hereby given that the Rate of Interest has been fixed at 8.4125% and that the interest payable on the relevant Interest Payment Date February 28, 1990 against Coupon No. 52 in respect of US\$10,000 naminal of the Notes will be US\$65.43. January 31, 1990, London 8y: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANCO

NOTICE TO HOLDERS OF ELROPEAN BENDERS AN RECEPTS BY MITSUIA CO., LID
EDR holders are informed of a dividend to holders of record date September 30, 1989.
The cash dividend payable is Yen 3 per common stock of Yen 50,00 per share. EDR
holders may now present Coupon No. 44 for payment to the undermentened eigents.
Payment of the dividend with a 15% withholding tax is subject to receipt of a valid
affidiant of residence in a country having a tax breaty or egreement with Japanose tax
will be deduced at the role of 20% of the gross dividend payable. The full rate of 20%
will also be applied to any dividend claimed after April 30, 1990.

Dividend payabla less 15% Japonese withholding tax \$0.017869

NOTICE OF REDEMPTION To the Holders of the **Extendible Notes Due 2000** 

**General Electric Credit Corporation** (now known as General Electric Capital Corporation)

Y: THE CHASE MANHATTAN BANK letect January 17, 1990

Wells Fargo

& Company

U.S. \$200,000,000 Floating Rate Subordinated Notes

due 2000 In accordance with the rovisions of the Notes, notice is hereby given that for the Interest period 31st January, 1990 to 28th February, 1990

the Notes will carry an Interest Rate of 87/6% per annum. Interest payable on the relevant interest payment date
28th February, 1990 will amount
to US\$65.63 per US\$10,000 Note
and US\$328.13 per US\$50,000

Agent Bank: Morgan Guaranty Trust Company of New York London

Italian International Bank Plc

U.S.\$60,000,000 Floating Rate

Notes due 1991 Notice is hereby given that the Notes will carry an interest rate of 911/s6b per annum for the period 31st January 1990 to 31st July 1990. Coupon Amount per US \$10,000 note will be US \$436.79

#### **NATIONAL BANK HUNGARY** U.S.\$100,000,000

Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 31st January, 1990 to 31st July, 1990 (181 days), the following interest rates will apply: 15 YEAR ORIGINAL NOTES (Coupon No. 11)

Rate per annum: 91/16% Amount per coupon: US\$455.64 Payable on: 31st July, 1990 **3 YEAR CONVERTED NOTES** (Coupon Nos. Varied)

Rate per annum: 81%% Amount per coupon: US\$436,79 Payable on: 31st July, 1990 Reference Agent

LTCB

THE LONG-TERM CREDIT BANK OF JAPAN, LTD. London Branch

U.S. \$150,000,000



Korea Exchange Bank

(Incorporated in the Republic of Korea under the Korean Exchange Bank Act of 1860, as amended)

Floating Rate Notes due 1995 In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from January 31, 1990 to July 31, 1990. the Notes will carry an interest rate of 81%% per annum. The interest payable on the relevant interest payment date, July 31, 1990 against Coupon No. 10 will be U.S. \$10,919.70 and U.S. \$436.79 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A. London, Agent Bank January 31, 1990

#### NIPPON STEEL INTERNATIONAL FINANCE P.L.C.

U.S. \$50,000,000

Dual Basis Notes due 1995

Notice is hereby given that for the six month Interest Period, from and including, 31st January, 1990 to, but excluding, 31st July, 1990, the Rate of Interest will be 8.9375% per annum. The Interest Amount payable on 31st July, 1990 will amount to US\$449.36 per US\$10,000.60 Note.

> The Mitsubishi Bank, Limited London Branch As Agent Bank

31st January 1990

NOTICE TO HOLDERS OF ELROPEAN DEPUSSION TRANSPORT OF SEPTEMBER 201, 1997.

EDR holders are informed of a dividend to holders of record date September 201, 1997.

The cash dividend payable is Yen 50 pot common stock of Yen 50,00 per share. EDR holders may now present Coupon No. 18 for payment to the undermentioned agents. Peymant of the dividend with a 15% withholding tax is subject to record of a valid alfidavit of residence in a country having a tax treats; or agreember with Jacon giving benefit of the reduced withholding reta. Falling recept of a veid efficient appeares tax will be deducted at the rate of 20% of the gross dividend payable. The full rere of 20% will be deducted at the rate of 20% of the gross dividend payable. Ovidend payable Dividend payable less 15% Japanesa withhelding tax 5148.90 \$14.89

Depositary: Carbani, N.A. 336 Strand, London, WC2R 1HB January 31, 1990

thholding: \$140.14 \$14.01

EDR holders are infermed of a dividend to holders of record date September 30, 1989 The cash dividend payable is Yen 12 per common stock of Yen 50.00 per shera. EDR halders may now present Coupon No. 21, not coupon 20 se stated in our notice of

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEPTS DI MITSUI & CO., LTD

Depositary: Citibank, N.A.

It's not exactly the lightest reading since the

But for bond dealers, salesmen, analysis and investment managers it's a considerably Because it contains accurate data, updated

Dead Sea Scrolls.

every two weeks, on 13,000 bond and other issues, including caupons, currencies, codes, call data, managers, conversions and a wealth of other information. No wonder it's so heavy. The bond market's bible.

Margaret Wilkinson,
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Telephone: 01 -538 5656 Fosc 01 -538 4902

International

Manual

The bond market Malayan **Banking** from Genesis to Revelations rises 96% By Lim Slong Hoon

in Kuala Lumpur

MALAYAN Bauking Malaysia's largest bank, has reported a half-year pre-tax profit of 155.4m ringgit (\$57.55), a 96 per cent increase over the six months to December

More loan recoveries contrib uted to the higher outcome lespite the higher cost of funds from an upward adjustment in the central bank's reserve requirement. The central bank had raised

the ratio of reserve deposits to

total liabilities by one percent-

age point in May last year, then again in October. A third increase in January puts the ratio at 6.5 per cent. Total loans, at 18.8bn ringgit, rose at a 12 per cent faster rate than deposits which amounted

28.1bn ringgit. Net profit was 62.9m ringgit.

for-two bouus and rights issues, the latter at 4 ringgit a currently trading et around 13 ringgit each.

group.

Genting, the Malaysian con-

Increased holding in Van Lanschot part of European strategy

### NatWest doubles Dutch bank stake

NATIONAL WESTMINSTER, the UK's second largest bank, plans to double its stake in F ven Lanschot Banklers, the Dutch merchant bank, to 80 per cent in line with its European expansioo plans. NatWest intends to buy the

additional 40 per cent stake from the other major share-holder, Rabobank, the Dutch co-operative bank. Dutch press reports said Rabobank would end up with about Fl 150m (247m) if the talks are successful but oeither NatWest nor Van Lanschot would comment

on the price.

Van Lanscnot is a mediumsized Dutch bank that caters to wealthy individuals, institu-tional investors and mediumsized businesses. Founded in 1737 to engage in colonial trade and finance in Antwerp and quality, specialised service based on intimate knowledge of the Dutch market. Today it is run by Mr Jan Cees van Lanschot, the eighth gen-eration of the Dutch dynasty,

Based in Den Bosch, Van Lanschot has 20 branches in the Netherlands plus five subsidiaries and representative offices in London, Zurich, Curacao, Jersey and Luxem-bourg. With total assets of Fl 7.2bn as of June 30 1989 it earned profits of Fl 27.3m. The Van Lanschot family plans to keep its 14.6 per cent stake, as does Delta Lloyd, the Dutch insurer which owns 5.4 per cent. The latter is a subsidiary of Commercial Union, the UK

insurance group.

Like most Dutch companies. Van Lanschot jealously guards its identity and character. Thus the majority of supervisory board members will remain Dutch and the managewho plans to retire next year.

NatWest took a 40 per cent stake in Van Lanschot in 1964; Rabobank bought a 25 per cent stake, later enlarging it to 40 per cent. Rabobank is selling out to concentrate on a "substantial reinforcement of its position as an internationally operating wholesale bank, including co-operation with other European co-operative

NatWest is pressing ahead with preparations for the Euro-pean single market in spite of e troubled 1989. "We are discussing this opportunity to increase our shareholding in Van Lanschot as part of our strategy of developing profit-able market segments in key European countries," explained

Mr Ian Farnsworth, NetWest's General Manager for European

Employee share options offered last year could increase the outstanding share capital by as much as 5 per cent by 1995, trimming NatWest's hold-ing to around 76 per cent. The 20 per cent held by the family and Delta Lloyd would dwindle to about 19 per cent.

David Lascelles, Banking editor, writes: NatWest has adopted a cautious approach to expansion in Europe, preferring only to advance where suitable acquisition opportuni-ties arise. In addition to the Netherlands, the bank has bought businesses in Spain, France and Switzerland.

The expansion of the Van Lanschot stake will make it the most strongly represented UK bank in the Netherlands.

### Lower advertising spend limits Goodhead

THE PRONOUNCED downturn in UK advertising expenditure has led to significantly slower progress at Goodhead Group in spite of better-than-expected contributions from recent

The Bicester-based printing. free newspaper publishing and design group unveiled pre-tax profits of £2.75m for the six mooths to November 30. This was a scant 2 per cent improve-ment on the £2.7m achieved a year earlier. Sales climbed to £38.05m from £30.41m.

The company's UK publishing unit contributed only one fifth of overall profits, against close to one third in the year to May 31. This was in spite of encouraging figures from Essex Products, the readers offers company.

Goodhead has responded to the difficult trading conditions by cutting overbeads. It expects the installation of direct entry to produce signifi-cant further benefits that will start to accrue in the 1990-91 financial year.

	DIVIDER	IDS A	NNO	UN	CEL
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	Current payment	Date of payment	Corres - ponding dividend	for year	Total last year
AIMint	2.4†	Apr 2	2,4		S
Davies (DY) §int	1.81	Apr 17	1.5	-	5
Dudley Jenkins §int	1.21	Mar 23	1	-	3
Gardinerfin	0.61	Apr 7	0.5	0.9	0.75
Goodheadint	1.75	-	1.75	-	<i>\$</i> .5
Lowe (Robert H) ,fin	0.25		2.25	1.5	3.5
Microgenfin	4.5	Apr 6	4,5	6.7	6.5
Partridgefin	0.75	-	-	0.75	-
Ransom (William)int	0.525	-	0.5	-	1,54
Bush & Tompkinsint	4	Apr 6	4	-	15.2
Scot Nationalint	1.7		1.4	-	7.4
Shelton(Martin)§int	0.75	Feb 26	0.5	-	2
Throgmorton Tetfin	2,38	Apr 4	1,85	3,12	2.85

"Equivalent after allowing for scrip issue, ton capital increased by rights and/or acquisition issues. §USM stock. §Sunquoted stock. \$Third

This announcement appears as a matter of record only.

The performance its recent-ly-acquired North American publishing interests, by con-trast, was ahead of forecast. Goodbead attributed this chiefly to the successful application in this new region of

techniques employed in the more competitive UK free newspaper market. Printing contributed more than half of overall profits - a proportion which may con-tinue to grow in the second half as the first benefits of new investment are felt. The group has made major investments at its Portbury and Alcester printing factories Alcester, in addition, is well-placed to benefit from the com-

les and product improvement

pletion of the M40 extension. Results from Goodhead's design unit were disappointing as clients cut back on spending, but the paper division, which buys and sells newsprint, performed strongly. Goodhead expects to sell and

lease back certain assets in the second half, in a bid to reduce gearing. Its freehold property portfolio is now valued at about £12m. Fully diluted earnings per share slipped marginally to

10.2p (10.4p). The interim dividend was maintained at 1.75p.

The conventional view is that Goodhead is unlncky to bs

lumped with larger glants of the print and publishing sector and that its share performance has been depressed accordingly. Certainly, the current figures demonstrate the group's resilience: to report flat results is quite an achievement in the current environment. The group's sectoral and geo-graphic spread also angurs well in terms of durability. However, the extent of Goodhead's exposure to consumerrelated advertising spending is still substantial. This coupled with its relatively high gearing and the poor performance of the design unit suggests that the outlook for the coming six months is far from rosy. Despite the undemanding prospective p/e of little more than 7 on anticipated full-year profits of about £5.5m pre-tax therefore, share performance in the immediate future is unlikely to be sparkling. With the dividend merely maintained, there is not even the comfort of a significant yield premium to limit downsids potential. Cantion would be advised until the full impact of

January 1990

the downturn can be better

gauged, although a longer term view could be rewarded.



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BARCLAYS

#### Panic selling hits SeaCon shares

By Andrew Hill

arbitrageurs continued to hit Sea Containers' share price yesterday, as the ferry and containers group announced a further delay in agreeing a deal with Tiphook and Stens.
Since Monday the shares
have fallen by nearly 8 per
cent, as fears about the collapse of the junk bond market have spilled over to affect other deal stocks. Yesterday, Sea Containers stock was trad-ing at about \$5612, compared

PANIC selling by New York

with a peak of more than \$70

with a peak of more than \$70 last year.

Tiphook, the UK container rental and leasing company, and private Swedish ferry operator Stena launched a hostile break-up hid for Sea Containers last May.

Twn weeks ago Mr James Sherwood, the group's president and a vehement opponent of the Angio-Swedish bid, said he would recommand his board to accept an improved deal involving the sale of ferry and container assets to the two companies. two companies.

However, negotiations between the two sides have between the two sides have taken longer than expected and yesterday the deadline for agreement was again extended, this time until 12 noon today, New York time. The impatience of Sea Con-tainers' shareholders at this

stage, after so many months waiting for an end to the bid, has astonished some observ-One US analyst said yester-

day: "The arbs are being pummelled. They're fighting for survival. They couldn't give a damn about the fundamentals any more — it's simply a question of preserving the cash they've got." See Lex

#### Holographics loss rises to £1.4m midway

Losses at USM-quoted Applied Holographics continued to increase in the six months to end-September, rising to £1.4m from £997,451 a year earlier.
Shares reacted to the results
dropping 45p during the day,
closing 18p lower at 285p.
Turnover increased substantially from £476,165 to £2.27m.

The chairman said that growth in demand had been excellent and he was sure that a substantial market opportunity existed for the group.
In the second half results to

cant increase in turnover which gives the directors optimism particularly with regard to the current year.

Loss per share worked through at 9.3p (7.1p). Directors said, the trading loss was higher at £1.55m (£1.25m) due to investment made in the US and retail divi-sion during the first six

Extraordinary net gain of \$345,312 resulted from the sale of Swiss assets. The company does not pay a dividend. BOARD MEETINGS

### BAe and Thomson-CSF merging guided weapons businesses

By David White, Defence Correspondent

BRITISH AEROSPACE and Thomsou-CSF, the French state-controlled military electronics group, are merging their guided weapons businesses in a move unprecedented in the European defence industry.

The new company, Eurodyn-amics, in which each company will have a stake of 50 per cent is expected to have annual sales of £1.4bn The move has the approval

of both the UK and French They have given themselves year to work ont how to

implement the merger. Yester-day the two partners announced plans for an intermediate stage, setting up Euro-dynamics initially as a non-

trading management company with the task of drawing up plans for integrating the UK and French businesses.

BAe and Thomson-CSF have

been discussing a link-up for two years. The UK company's interests are mainly in the missiles themselves, while the French company's are in guidance systems.

BAe executives admitted there was "a lot of work still to be done". The merger comes after a year of sharp cuts at RAS (Dynamics), the missile division, with the number of manufacturing sites reduced from nine to four and the workforce down from 16,000 to

12,000.
The two companies see the joint venture as a means of

strengthening their position as prime contractors by covering all the key areas of technology at a time when it is expected that there will be a fall in the number of new projects. Areas of lower technology could be otner: farmed out to

The merger is also designed to enable sufficient resources to be made available to fund research and development for new weapons and to compete

with US companies.
In the UK, GEC-Marconi has until recently been the standard supplier of guidance systems for BAe missiles. BAe said the merger would not exclude GEC-Marconi but R would be forced to compete with its French rival.

### Ferranti plans further disposals

FERRANTI International is hoping to sell two of its small components businesses to their managements as part of its continuing programme of reorientating its activities following the discovery last year of an alleged £215m fraud at the

The two businesses, both based in Dundee, had a com-bined turnover of £16m in the year to the end of March 1989 and are incurring small losses, Ferranti said yesterday.

The company also announced that about 130 of the 525 jobs at the Dundee businesses would have to go because of their recent disappointing financial perfor-"This action is considered

necessary to provide a base for future prosperity of the busi-ness at Dundee, whether or not the management buy-out nego-tiations are successfully com-

One of the businesses makes

industrial and medical lasers, the other components such as microwave tubes and connec-

Ferranti said it hoped to complete the disposals by the end of March. However it refused to put a figure on how

much it expected to raise.

The proposed buy-outs do not include Ferranti's industrial components group at Dalkeith nor any other busi-nesses within the components and controls division.

#### Security purchase helps Gardiner advance 53%

By Andrew Hill

GARDINER GROUP, the security products distributor, lifted pre-tax profits by 53 per cent to £2.91m in the year to October 31, compared with £1.83m in 1987-88.

The security division of Bridge Grann which Cardiner is about 60 per cent by genting to about 60 per cent by

Bridgend Group, which Gardi-ner bought last April, gener-ated profits of some \$400,000, although Mr Yashar Turgut, Gardiner's managing director, said yesterday that the main benefits of rationalisation and integration of the division would come through in the current year,

This year the division is truly operating within the Gar-diner philosophy, lean, mean and tough," he said.

Gardiner already claims between 80 and 85 per cent of the UK security products dis-tribution market and Mr Turgut yesterday repeated his determination to move Gardiner strongly into continental Europe before 1998. The group and the Netherlands and will be looking to expand, either through acquisition or by npening new branches in France, Spain, Scandinavia and

Meanwhile Gardiner is creat ing a new division initially to demonstrate and distribute closed circuit television sur-

veillance products.

The acquisition of the Bridgand division and the £2.2m cash purchase of ADL, Tun-stall's fire and burgiar alarm business, before Christmas have increased borrowings, so

gearing to about 60 per cent by the year-end. However, he added that the year's interest charge of a little less than £800,000 was well-covered by

Turnover rose from £17.8m to £26.89m and earnings per share were up 41 per cent to 4p Gardiner is recommending a final dividend of 0.5p, making a total of 0.9p (0.75p) for the

Two other security companies — Automated Security (Holdings) and Scantronic Holdings — each own 20 per cent of Gardiner.

• COMMENT

Mr Turgut's explanation of the resilience of the security industry during bard times is sim-ple: recession leads to an increase in petty crime which means more people buy bur-giar alarms. The reasoning n't sound that convincing but then Mr Turgut has not noticed any slackening of demand for Gardiner's products - 90 per cent of which go to the domestic market - so one is reluctant to doubt him. Certainly security companies have shown themselves hardier than most in past down-turns, and Gardiner in particular has plenty to buoy it up.
The UK market continues to
grow, the main benefits of the
Bridgend and ADL acquisitions are still to come, and the group is stalking European distribu-tors, with a judicious eye on 1992. Assuming Gardiner makes more than £5m before tax this year, a prospective p/e of about 11 looks attractive spite being a premium to the

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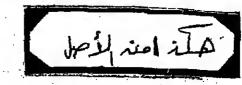


#### THE GARDINER GROUP PLC

**Preliminary Results** 

Tearended 31 Oct. 1989	Year ended 31 Oct. 1968	
26.885	17.802	+51.0%
2.905	1.893	+53.5%
4.00p	2.840*	+40.8%
Q.90p	0.75p	+20.0%
	26.885 2.905 4.00p	26.885 17.802 2.905 1.893 4.00p 2.84p*

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### Mitsui Toatsu warrant deal hogs the limelight

THE long-awaited launch of Salomon Brothers eight year warrant deal for Mitsul Toatsu Chemical dominated attention in the Eurobond market yester-

#### INTERNATIONAL BONDS

day amid a flurry of equity warrant issues. Salomon was eager to make a success of the \$300m deal - which carried an initial coupon of 4 per cent — given that the warrant deal was the first ven-ture by a non-Japanese securi-

Salomon said it saw strong interest in the bonds from long-term institutional custom-ers, and itself placed well in

Borrower
UB DOLLARS
Serves Shutter Corp.
Mitsul Toetsu Chemics
Mitsul Toetsu Chemics
Honda Motor Co.(f)

Gold Mines of Kalgoorile(i)§

SWISS FRANCS North Pacific Bank(a) + 45

Swiss Fractic Bank(a)\*\*§

North Pacific Bank(a)\*\*§

Kineeki Ltd.(b)\*\*\*§

Dal-Ichi Hotoi\*\*\*

Nichiban Co.(c)\*\*\*§

Jidoeha Denki Kogyo(d)\*\*\*§

Carter Holt Harvey Fin.(e)§

D-MARKS SE-Banken(g)†◆ Kredietbank int.Finance(h)◆

SWISS Bank Corporation said yesterday that it had under-written a project loan of about

£115m for the first independent

power station to be established

n the UK, writes Stephen Fid-

is being provided to build the

station - the 224MW Roose-

48 Miscellaneous (27) .

49 INDUSTRIAL GROUP (484) ....

59 500 SHARE INCEX (500)...

61 FINANCIAL GROUP (114).

FT-SE 100 SHARE INDEX4

A two-year construction loan

Godo Stael# Daihen Corp.#

**GUILDERS** 

World Bank(f)

ties house into issuing this sort of deal for Japanese compa-

excess of 50 per cent of the bonds with institutional clients in London and continental agers wondered whether the price differential was attributable entirely to the difference Europe as well as Japan. The eight-year warrant issue

is new to a market used to investing over the shorter term. For that reason, other market participants judged it to be expensive and were uncertain about how well the brade were specified.

bonds were received.
Other players said Salomon was forcad into giving tha issue fairly heavy support in the market to try to make a success of the deal. The other part of yesterday's Mitsui deal – the four-year warrants carrying a coupon of 2% per cent, managed by Nomura – was trading at

99%-99% late yesterday compared with a trading level of 100% for the Salomon issue.

However, some syndicate man-

**NEW INTERNATIONAL BOND ISSUES** 

101,18

10012

1013

Loan for UK independent power station

cote Power Station near Bar-

row-in-Furness, Cumbria ---

which will convert on comple-

tion of construction into a 14-

year term loan. The total proj-

ect cost is about £135m, of which 15 per cent is being pro-

the first portion of the loan to

And the same of the same

Swiss Bank, which disbursed

vided by equity.

1993

in time value on the warrants or whether it was due to a move by Salomon to support the deal.

Salomon managing the Mit-sui deal could open up the war-rants husiness to participation by other non-Japanese houses. The rash of other warrant issues yesterday were deals that had been expected for some time and most of them met with a fairly brisk recep-

An issue for Fi300m yester-day for the World Bank, brought to the market by Alge-mene Bank Nederland, was the first guilder Eurobond issue of

the year.
The deal was trading at 99.20-99.35 on an issue price of

UBS SBC Swiss Volksbank Credit Suisse Bank Julius Baer S.G. Warburg Soc

25/15bp CSFB-Effectenbank 11/4/4 Bankverein Braman

the Lakeland Power (Develop-

ment) Company in December,

plans to begin syndication to other banks in the second half

of February. It won the man-date in bidding with three

other banks, one each from Britain, the US and Japan.

Interest rates were not dis-

14/14 ABN

13/4 IBJ Int.

### Chicago protests over planned futures tax

PROPOSALS in the US Budget to impose fees on various secu-rities deals hava run into immediate criticism on fears that business might be driven

The Budget plan is to impose a fee on futures market transactions and to increase and extend fees on other securities' deals and on registration with the Securities and Exchange

Commission.
In detail, a fee of 11 cents would be imposed from Octo-bar 1 on futures trades and charged to members handling trades for themselves and for customers. This would be intended to cover expenses for the Commodity Futures Trading Commission, including extended market surveillance. The fees would help pay for a 21 per cent increase to the CFTC's budget to \$45m.

The Chicago Board of Trade, the world's largest futures exchange, has called the pro-posed transaction fee "the posed transaction fee the straw that will hreak the camel's back in terms of competition with foreign markets."

Mr Tom Donovan, the exchange's president, said that tha CBOT's share of world fritures beginned bad diving

futures business had dimin-ished from 38.4 per cent in 1985 to 27.6 per cent at the end of last year, in spite of a 65 per cent increase in volume at tha exchange. Separately, the Budget has

proposed creating a transac-tion fea on moet over-the-counter stocks that qualify for trading in a national market system. This levy is already paid by buyers of listed stocks.

The fee would be set at 1/220th of 1 per cent of the total 1/300th of 1 per cent.



Tom Donovan: CBOT's share of futures trade already cut

also apply to listed stocks, where the levy is currently

Levies on securities' registrations and on merger and proxy filings with the Securities and Exchange Commission would he increased from 1/50th to 1/40th of I per cent of the value of the securities and transacwould come into effect from

Some of the money raised would go to the Government rather than benefit the SEC, even though its hudget is being

raised substantially. Both the National Association of Securities Dealers and the Securities Industry Association have objected to the added fees. The futures industry is furious about the trans-action fee, which they believe will fall heaviest on the local traders who provide liquidity to Chicago's busy futures mar-

The futures markets have objected to the proposal for a new fee on transactions, warning that business might be encouraged to go elsewhere.
Congress members from Illinoin, where the two main markets are sited – in Chicago – have expressed reservations. They have considerable influence on the main tax-writing

committees. Mr Jack Lehman, head of mr Jack Lenman, near of commodities at Shearson Lehman Hutton, says the futures transaction fee and the increase in registration fees in the securities market would raise costs for the small investors.

As the markets are making all efforts to ettract small investors and make them feel comfortable in the market,

### Treasuries post gains amid Gorbachev rumours

By Karen Zagor In New York and Martin Dickson in London

US TREASURY bonds posted gains yesterday afternoon for tha first time since January 18, Mr Gorbachev would remain as gains yesterday afternoon for tha first time since January 18, when signs that the Federal serve would not support easing of monetary policy sent the

#### GOVERNMENT BONDS

debt market into a tailspin. In late trading, the Treasury's benchmark 30-year bond was up it point at 95%, yielding 8.53 per cent. The yield on the long bond was as high as 8.62 per cent at its weakest price of the day.

At the short end of the yield curve, the two-year issue was quoted up & point, yielding 8.26 per cent. Medium-dated maturities were quoted as much as

The Federal Reserve arranged two-day matched sale-purchase agreements when Fed funds, the rate at which banks lend to each ther, were changing hands at 81 per cent, The move, which drains reserves from the bank-ing system, replaces last Thursday's five-day draining operation, which expired yesterday.

The debt market rally came on the back of a sharp rise in the dollar, amid reports that Mr Mikhail Gorbachev, is con-

The dollar was quoted at Y145.20 and DM1.7020 in late New York trading, np from Y142.98 and DM1.6771 late Monday in New York. In the absence of important

economic data yesterday, the debt market focused on com-ments by Mr Alan Greenspan, chairman of the Federal Reserve, to the Joint Economic Committee. Mr Greenspan's comments about the US economic picture were vague. "I don't think we'd get a clear fix until well into tha spring months." he said.

Mr Greenspan stressed that the risk of recession is "not negligible. We are still at risk,"

■ WEST GERMAN bond prices fell by up to 40 pfennigs in afternoon trading as the market reacted to news that the Government would set tha terms of a new federal bond

this Friday.
This set off hedging in the futures market, with a knock-on effect on cash Bunds. Other factors cited by analysts included the weakening of US Treasuries in the wake of Mr Greenspan's comments and domestic and East European

political uncertainties.

The market had initially moved higher, helped by short-covering, and the Federal Government's 7% January 2000 bond was fixed at 97.31 after 97.15, to yield 7.64 per cent after 7.67 per cent, but in late afternoon trading it was quoted at around 97.10.

**■** UK GOVERNMENT bond prices see-sawed up and down before dropping sharply at the longer end in the afternoon in reaction to Mr Greenspan's remarks on the US economy. At the opening the market moved higher, in part follow-ing West Germany, but then moved erratically in a mixed reaction to the latest Confederation of British Industry quar-

terly industrial survey.

The market remained thinly traded, although some analysts reported foreign buying concentrated among medium-term issues. The benchmark 11% Treasury stock due 2003/07 was quoted near the close 1/2 a point down at 1061/4 to yield 10.81, while medium-dated stocks lost around 14. with the 12 per cent Exchequer 1998 quoted in late trading at 1031.

■ JAPANESE government bond prices dropped on a weaker yen against the dollar and on inflationary fears. The Bank of Japan said the coun-

against 103, overnight.

BENCHMARK GOVERNMENT BONDS Week ago 94-09 +1/32 12.18 12.51 96-02 -1/32 11.18 11.28 89-18 -11/32 10.28 10.30 7.875 8.125 95-26 +3/32 8.51 6.27 95-11 +3/32 8.56 8.30 89.3824 -0.101 8.64 6.64 94.2010 -0.819 8.41 6.46 7,000 9/99 96,3000 -0,200 1.67 7.72 FRANCE 8TAN 8.000 10/94 91.5725 +0.071 10.32 10.33 OAT 8.125 5/98 90.8800 -0.135 9.63 9.59 9.250 12/99 95.1500 +0.100 10.03 9.84 9.11 NETHERLANDS 7.500 11/99 94.8600 -0.090 8.28 8.32 8.02 12.000 7/99 96.1109 - 12.71 12.74 12.90

London closing, "denotes New York closing Prices: US, UK in 32nds., others in decimal

Technical Data/A1LAS Price Sources

try's underlying prices were beginning to move neward again, and a bank official, commenting on the latest wholesale price figures, said close attention needed to be paid to bow wage rises affect prices.

The market was also awaiting the results of yesterday's 10-year auction to gauge its near-term direction. Amid con-cern that the new bond could prove expeosive, there was

some hedge selling. The yield on the benchmark 119th bond was at 6.58 per cent in late Tokyo trading, against its 6.53 close on Monday. In London's trading day, it moved in a volatile fashion, following

the foreign exchange market, and in late trading was quoted at a yield of 6.64. SEARS, the UK stores

group, yesterday became the latest issuer to buy back some of its sterling bonds, taking advantage of interest rate rises which have depressed values in the sterling bond market, Stephen Fidler adds. A little over a quarter of the

£200m issue - carrying a 101/4 per cent coupon and a 1993 maturity -- was bought in by J.P. Morgan yesterday at a yield of about 100 basis points over gilts. This is equivalent to a price of 92 and an annual yield of about 13.68 per cent.

#### **LONDON MARKET STATISTICS**

#### FT-ACTUARIES SHARE INDICES There Indices are the joint compitation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries Mon Jan 29 Fri Tuesday January 30 1990 EQUITY GROUPS 26 & SUB-SECTIONS Gross Div. Yield% (Act at Est. P/E Ratio (Net) Day's Change % Figures to pareitheses show no stocks per section -8.7 +8.2 -9.5 -9.5 -1.5 -9.3 -9.7 9.56 8.62 7.98 1.34 897.07 895.30 890.05 897.82 0.36 1027.22 1088.64 1076.28 1124.63 0.14 1519.31 1522.72 1513.84 1665.59 899.38 1088.99 1511.92 4,79 5.19 5.22 4.85 12.75 14.46 16.41 10.58 9.29 13.26 2562.49 1929.66 0.08 2585.17 2577.82 2571.40 2638.1 9.76 2585.17 2577.82 2571.40 2588.16 9.76 1959.26 1949.50 1929.54 2815.81 8.84 454.54 453.77 459.77 0.88 479.02 478.64 476.63 0.80 471.43 465.41 462.46 513.64 6.00 383.77 382.28 379.21 380.39 3.99 1619.26 1617.44 1619.31 1514.81 2.10 1286.58 1288.52 1271.86 1167.76 13.92 5 Electronics (30) 9.31 10.26 4.42 8.44 11.86 14.15 453.00 475.71 461.89 4.93 6.51 5.53 4.49 3.71 3.49 3.93 11.76 25.53 381.81 1696.58 13.89 10.49 0.82 9.45 8.77 6.21 8.29 11.49 8.80 11.21 11.17 10.94 21 CONSUMER GROUP (178)... 22 Brawers and Oistillers (22). 1281.10 1507.58 13.27 6.54 1515.37 1522.47 1503.49 1275.8 1.70 1129.61 1124.89 1123.35 1046.5 -0.5 +0.7 -1.0 -0.2 1.70 1129.61 1124.89 1123.35 1846.50 3.63 2297.21 2291.44 2285.73 2883.67 0.20 2545.09 2522.27 2501.54 2661.61 0.54 1826.85 1812.65 1599.72 1529.86 0.90 576.86 576.51 576.24 587.52 20.50 3566.99 3556.66 3558.85 3716.23 0.25 784.84 777.02 766.55 779.45 0.00 519.49 515.62 511.49 522.37 0.30 1172.79 1163.49 1157.83 1032.93 11124.16 14.79 3.28 2.60 3.64 4.99 4.94 4.82 5.79 4.77 2.17 5.36 6.89 4.20 4.21 6.75 4.42 2313.47 2520.52 29 Leisure (33) 31 Packaging & Paper (14) 32 Publishing & Printing (17) 1624.27 576.99 3562.30 14.87 10.93 14.67 -0.1 -0.7 -0.4 -0.4 -0.9 11.61 19.86 19.95 18.07 9.34 10.53 779.58 34 Stores (31) ..... 517.79 1168.20 1539.30 0.05 1553.96 1554.38 1543.46 1188.13 0.27 1213.73 1205.56 1206.52 1165.50 0.00 1617.69 1604.53 1593.50 1434.03 6.80 12.62 41 Agencies (16) 42 Chemicals (22) 43 Conglomerates (13) 44 Transport (13) 46 Telephone Networks(2) 47 Water (10) 1201.88 11.16 10.58 10.44 1610.90 2287.65 2.83 2291.28 2263.53 2257.31 2156.68 0.00 1221.11 1198.61 1187.92 1136.98 0.80 2000.79 1989.53 1978.73 0.88 0.91 1861.73 1867.47 1863.86 1427.17 12.05 12.46 6.38 11.84 1716.36 17.36 9.53

FD	(ED I	NTE	RES	r ·	AVERAGE GROSS REDEMPTION YIELDS Jan Jan ago 30 29 (approx										
PRICE INDICES	Tue Jan 30	Oay's change	Mon Jan 29	xri adj. today	xd adj. 1990 to date	15 10 22 30 37 80									
1 Up to 5 years 2 5-15 years 3 Over 15 years 4 Irredeemables	115.18 125.19 134.90 151.75	-0.19 -0.29 -8.68	115.16 125.54 135.29 152.78	0.11 - -	8.00 8.00	4   Medium   5 years   11.72   11.69   10.15   10.59   10.59   10.59   10.59   10.59   10.59   10.59   10.50									
Index-Linked 6 Up to 5 years 7 Over 5 years 8 All stocks	141.36 137.69 137.85	+0.06 +0.05	124.72 141.27 137.62 137.77	<u>-</u>	9.05 0.47 0.44	Index-United   11 Inflation rate 5% Up to 5yrs.   4,06   4.08   3.54   12 Inflation rate 5% Over 5 yrs.   5.70   5.70   3.64   12 Inflation rate 10% Up to 5 yrs.   3.15   5.16   2.71   14 Inflation rate 10% Over 5 yrs.   3.60   5.61   5.41   15 Debs & 5 years.   13.30   13.30   11.64									
9 Rebestures & Loans .			102.61 82.25		0.35 0.16	-) 17									

40pening index 2325.5; 10 am 2324.4; 11 am 2332.5; Noon 2332.2; 1 pm 2331.0; 2 pm 2332.2; 3 pm 2328.2; 3 0 pm 2328.3; 4 pm 2322.3 40pening index 2325.5; 10 am 2324.4; 11 am 2332.5; Noon 2332.2; 1 pm 2331.0; 2 pm 2332.2; 3 pm 2328.2; 3 0 pm 2328.3; 4 pm 2322.3 (a) 10.49am (b) 9.24am (F) Flat yield, Higher and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues. A list of (a) 10.49am (b) 9.24am (b) Philippin and lower record, base dates, values and constituent changes are published in Saturday issues.

N	CTU/	ARIE	S SI	ARE	IND	ICE	\$	12,	X file			R	I\$E	5 AN	ID F	ALLS Y	ES'	rerd	AY		
				ation the F							Industr	duuib, i	DOMINIO	n anu ro	reign bon	ds	Rises 25 7 255		ls 3 2		12 28 922
	;; ;;	Tuesda	y Jan	rary 3	1990	)	Mon Jan 29	Fri Jas 26	Thu Jan 25	Year ago (approx)	Olis	tions	Properu	S			120 18 29	1	72 31 1		28 922 406 45 71
of.	index No.	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Index '	Index No.	Index No.	Index No.	Others	**********	104 (100) 41 14	*********			509		65 0	1,59	
	899.38 1088.99 1511.92 2562.49 1929.66 453.09	-8.7 +8.2 -4.5 -4.9 -1.5 -4.3	12.75 14.46 16.41 10.50 9.29 13.26	4,79 5.19 5.22 4.85 3.74 4.87	9.56 8.62 7.98 11.97 13.92 9.31	1.34 0.36 0.14 0.08 9.76 0.04	897.07 1017.22 1519.31 2585.17 1959.26 454.54	895.30 1088.64 1522.72 2577.82 1949.50 453.79	890.05 1976.28 1513.64 2571.40 1929.54 450.72	2638.18 2015.01 0,60	EQU	ITTE		LONE	ISSUES						
	475.71 461.89 381.81 1606.58	-0.7 -2.0 -0.5 -0.8	11.76 25.53 13.89 10.49	4.93 6.51 5.53 4.49	10.26 4.42 8.44 11.86	9.34 9.00 -9.09 3.00	479.82 471.43 383.77 1619.26	478.64 465.41 382.28 1617.44	476.63 462.46 379.21 1619.31	0.80 513.64 388.39 1514.61	Issue Price	Paid R	stest 15	89/90 h Low		Stock	Closing Price	tar Ne	Time Cor'e	Grow Yield	P/E Ratio
•	1281.10 1507.58 1124.16 2313.47 2520.52 1624.27	-0.4 -0.5 -0.5 +0.7 -1.0 -0.2	9.30 9.45 8.77 6.21 8.29	3.71 3.49 3.93 3.28 2.60 3.64	14.15 13.27 12.87 14.79 19.17 14.87	2.10 6.54 1.70 3.63 0.20 0.54	1286.58 1515.37 1129.61 2297.21 2545.09 1626.85	1280.52 1522.47 1124.89 2291.44 2522.27 1612.65	1271.86 1503.49 1123.35 2285.73 2501.54 1599.92	1275.86 1046.50 2083.67 2061.61 1529.86	942	F.P. F.P. F.P.	- 10 - 6 - 9 - 11 - 41 - 40	95 1 45 81 37 37	Do. Warra Mir Londo Milantic I Bear Branc Biocure 1 Chartseti	n 5p hes. Warrages I Warrages Group £1	33 38 30	-1 R2		33	13.6
	576.99 3562.30 779.58 517.79 1168.20	17744	11.49 8.80 11.21 11.17 10.94	4.99 4.96 4.82 5.79 4.77	10.93 14.67 11.61 19.86 10.95	0.90 20.50 0.25 0.06 0.30	576.86 3566.99 784.84 519.69 1172.79	576.51 3556.66 777.02 515.62 1163.40 1554.38	576.24 3558.86 766.58 511.49 1157.83 1543.66	790.45 522.37 1032.93	1 7 1	FP. FP. FP. FP.	14-41-41-41-41-41-41-41-41-41-41-41-41-4	300 215 39 18 57 25 103 38	Do. Warra Gartmore F Do. Warra	Storage Serv.£1 se. lov. Tst	18	-1 -1	1 -	0.2	
	1539.30 1201.88 1610.90 2287.65 1216.36 2007.57	-0.9 -1.0 -0.4 -0.2 -0.4 +0.3	6.80 12.62 11.16 10.58 10.44 17.36	2.17 5.36 6.89 4.20 4.21 6.75	18.07 9.34 10.53 12.05 12.46 6.38	0.05 0.27 0.00 2.88 0.00	1553.96 1213.73 1617.69 2291.28 1221.11 2000.79	1205.56 1604.53 2263.53 1198.61 1989.53	1204.52 1593.50 2257.31 1187.92 1978.73	1165.58 1434.03 2156.60	100 \$10.5	F.P. F.P. F.P. F.P.	- 266 - 107 - 166 - 276 - 276	193 614 99 193 193 193 193 193 193 193 193 193	Do. Warra Kyowa Bus Lou. & Nes Malaysian Do. Warra Merilo inti	k Y50 y York Or. Tst Sealtr. Co's Fd Green Wrats	208	7 014 14 14	=  =	85 - -	47.9 - -
	1869.33 1162.31 2367.68	-0.1 -0.1	9.53 10.45 9.11	4.42 4.36 4.82	11.84 11.71 14.50	0.91 1.37 6.21	1861.73 1168.89 2371.12	1867.47 1162.26 2356.42	1363.86 1154.98 2308.69	1427.17 1878.14 1964.75	240 55 90	100 F.P.	1571	5°58858	"Onford Vil Phateau Mil "Polysource Severa Trea	alng 20p Hidgs. 5p t	182 64 91 92	2 R2:	<u> </u>	4.4 6.6 - 6.9	80 45 - 4.9
1 1 1	1262.84 843.81 891.59 1428.89	+6.7 +1.1 +2.0	19.22	5.64 5.63 4.65	12.94 6.84	0.35 0.88 0.89	1268,48 838,01 881.86 1481.55	1261.88 833.82 872.31 1398.94	1251,49 821,25 856,85 1368,38	755.59 762.27 1066.98	240	F.P. 100	130	124 195 130 100 51000	Do. 8 lp Thames Wa Water Paci	ter	150	11 <sub>2</sub> R0.	8 24	6.6	7.2
	711.22 1156.27 478.84 1181.85 333.92	+0.9 +1.2 -0.5 -0.7 +0.2	6.42 7.76 12.62	5.32 5.45 3.71 3.65 6.31	20.72 16.31 10.39	0.00 0.00 0.00 0.94	765.63 1142.32 481.67 1199.29 333.34	703.14 1144.67 479.88 1183.77 333.19	689.05 1133.73 478.18 1178.06 333.22	598,48 1025,85 344,52 1303,17 383,82	240	108	185	100	Wester Wa Yorkshire V	Mr	ו דטו	815.4 3 R15.4	1 2b 2 24	6.4	<u>94</u>
	1228.12 1421.33 1161.24	-0.2 -0.7 -0.3	19.72	2.96 6.43 4.45	10.98	0.45 30.79 1.55	1229.97 1431.55 1164.32	1226.90 1472.40 1158.48	1218.86 1482.76 1148.85	1968.45 1173.48 1854.97	Issue	Assess	7	1		EREST S	STOC	KS	1 ~	oslog J	_
	Index No. 2322.0	Day's Change -6.8	Day's High (a) 2334.8	Day's Low (b) 2321.3	Jan 29 2328.8	Jan 26 2514.5	Jan 25 2289.9	Jan 24 2278.6	Jan 23 2291.1	Year ago 2051.8	Price	Paid up		High	1989/90 Low	Rear Brand 10	Stock	Com Di	P	rice £	· ·
											98.94 89.65 999.68	150	:	85g 99,1 301 <sub>2</sub> 1004	730 941 283 954	Bear Brand 10- British Inv. Tst. British Ests. 1 Foreign & Col.	Hapes	ec. Ob 2012 . Mtg Db 2012 . 2014 £100		7	- {

			R	CHT	S OFFERS		
issue Price	Amount, Paid	Latest	1989	/90	Stock	Clasing Price	+ 01
P		Date	High	Lów		""	-
er başed ridend and r's earnin ed on pro est annual id besed o ratio bes	on Obider Syleid excl 193. Il Divik spectus or I earnlogs. 10 prospect 121 ce prose	vi og fyll Ude specia fend and y Other offi Mi Divideo as or othe Sector or o	capital.g A l payment.e rield based d clad estimat d and yield r official er ther official	prospectos supmed din Foresæst, on prospect es for 1990 based on pr timates for l'estimates	Cock (With 2Dp  Cock (With 2Dp  Liketers 10p  Material Mining 2Dp  Mater	liminary fig r based on pr Dividend acc r and p/e ba to. A Dividend dividend con Offered to b	unts. Terigo d yield sed or er and er and

TRAD	TRADITIONAL OPTIONS													
First Dealings Last Dealings Last Declarations For settlement or rate Indications are	Apr 26 May 6	London Share Service Calls in Tusker Res., Rodime, Mountielgh, Norfolk Cepitel, Norex, Cadbury Schweppee, INOCO and Oliver Res. Put in Courts (Furnishers).												

#### LONDON TRADED OPTIONS

40,402 calls and 28,525 puts. The exceptionally heavy Foot-sie activity was centred on a com-

Record trading volumes in the Footsie Index option was e lea-ture of an active session on the London Tradad Options Market yesterdey. High volume in that FT-SE was due in lerge measure to today's expiry, but also to one trade of 37,000 contracts believed to have involved Bankers Trust. The FT-SE treded a total of 43,975 contrects, or more than

9,000 over the last record daily volume on LTOM exactly e year ago on Jenuary 30 when the index traded 34,773 contracts. Tha total merket yasterdey treded

money calls in February, buying out-of-the-money puts in February and selling Merch puts. Tha most active Fr-SE was Februery 2,450 calls, a total of 6,000 contracts.

There were also reletivally high volumes in individuel equity options with BP, Hanson end the Weter Peckage leeturing. BP traded e total of 6,253 with business mainly in buying puts; calls

Hanson business elso was towerds the puts side in a total of 2241 contrects, but the most

some 69,000 contracts made up of were e mere 248 contracts. The

2241 Contrects, but tha most active series was the May 240 cells. The Weter Package was exclusively on the calls side; total business being 2,000 contrects, 1,000 in the March 1700 end an equal number in the May 1,700.

Open interest on the dey was 725,619 for the total market and 115,665 for the Footsle. 115,665 for the Footsle.

most active series was April 300 puts, trading some 2,500 con-

Option		Apr	PP CVITE	s Oct	Apr	PUTS	Oct	Option		Apr	CALL		Apr	PUTS Jul		Option		Nar.	CALLS	Apg.	War.	uts May	Aug.
Alid Lyons	460	55	65	80	8	11	20	Uta. Siscults	330		40	47	11	נו	13	Water Hid	9			170	40		
(*492 i	500 550	30 11	40 21	57 34	24 60	34 65	37 67	(*344 ) Uniterer (*667 )	360 650 700	424	63	834		28 20 45%	30 234 491	Pkg (*£1635)	1600 1650 1700	70	140 110 85	140	45 65 100	75	105 130 150
ASDA (*112 i	120	12	17	19 16	7½ 14	10 16	n	Ultramar	360		48			_	22	Option		Feb.	Apr.	Jun.	Feb.	Apr.	Jm.
Brit. Airways		28	32	36	3	612	8	(*375)	390				13 28	17 32	35	Reuters (*1055)	1000 1050	36 144	71 47	91 72 ½	25 55 7	112	514 784
(*200 l	200	13	18 10	24 16	10 23	14 26	11 28	Option		Feb	May	Aug	Feb	May	Aug	<del>O</del> ptina		Mar.			Mar.		<del>_</del>
Brit. Cecu (*78 I	80 90	11,	13	16 12	8	12 20	13	Brit Acro (*541 )	500 550	50 11		82	31 <sub>2</sub> 21	22 42	25 50	Abbey Nat. (*183	180 200	10 3	8	20	7 22	10 25	15
SmKI Bee								BAA @397 I	390 420	11 41 <sub>2</sub>	38 21	45 29	26 26	32	20 30	Amstrad (*49.)	45 50	8	끄칞	14 115	4	5녆	7 9½
C'551 I	500 550 600	70 53 13	84 51 28	100 68 44	22 53	11 27 55	14 32 60	BAT teds (*801 I	809 850	28			19 52	35 65	41 68	Barclays	550	33	48 25	58 35	18	23	32 60
Boots (*269 I	260 260	25 12	31 19	37 27	.7 17	12 25	16 26	BTR (*437 )	420 460	25	40 20	54 32	27	35	18 37	(*566 ) Base Circle (*234 )	600 220 240	22	25	32 22 22	5	10 25	16 28
8.P. (*334 l	300 330 360	40 10 6	47 26 12	55 34	31 <sub>2</sub> 9 29	5 14 30	16	Brit_ Telecom (*296 )	280 300 330	18½ 5½ 1	31 18 6½	24 11	9 36	5½ 13 37	161 <sub>2</sub> 37	British Gas (*219	200 220	23 9	31 18	34 21	2 7	5 11	5½ 13
Brikish Steel (*1.36 i	130 135	-	11,5	1332	7	8	S¹2 	Cadbery Sch	330	29	40	54	4½ 16	ш	16	Disons (*125.)	120 130	9	16 11	20 14	2½ 7	8 12	9 14
6310353 6310353	1000 1050 1100	82 52 28	110 80 55	108 108	22 45 77	30 53 85	37 60	(*352 )	360 390	5	24 13	57	40	28 30	29	Glanco (*722 )	700 725	49 34	75 60	100	16 27	27 38	32
								Curionest (*656 )	650 700	22	41 21	63 38	14 48	30 58	53 60	Hawker Sidd.	650 700	50	72	100	20	32	45 70
C & Wire 17545 I	500 550 600	70 38 18	88 55 34	107 75 -	11 30 62	20 38 61	6	GEC (*235	220 240	17 41 <sub>2</sub>	30 11	34 21	21 <sub>2</sub>	6	11 10	(*671 ) Hillsdown (*268 I	700 260 280	21 20 10	45 28 17	70 39 26	45 6 16	60 11 22	70 14 23
Courtaulds (*386 )	360 390 420	44 25 12	52 34 20	43	1 19 38	15 27 44	16 30	Hanson (*225 )	220 240	9 1½	20 9½	24½ 13	3 2121	61 <sub>0</sub>	91 <sub>7</sub> 20	Learne	260 280	30	43 31	38	6	10	22
Com. Unice (*497 i	460 300	46 21	62 57	14 49	10 24	15 29	11 36	CPTT)	550 600	61 28	90 53	108 77	13	12 25	11 35	Midland Bk	360	33 11	43 31	53 37	14 33	18	27
GICH (*429 )	420 460	30 14	46 25	53 35	22 50	30 55	35 60	P. & O. (*604 )	600 650	194 يال	394 184	58 324	10½ 40		33½ 634	R. Royce (*177 l	160 160	22 8	25	30 20	2 20 1		1½ 16½
Grand Met.	600	53	75	90	19	25	30 52	Piikington (*224 i	220 240	10 2½	25 13	27 17	5 18	9	27	Sears	100	71 <u>2</u> 3	10	13	3	55 13	81 <sub>2</sub> 14
(*619 )	650 1050	27	47 94	60 110	45	45	57	Prodestiled (*225 )	220 240	9	13	22 13	7 17	끍	14 24	7103 ) THF	110 280	25	2q 6	9 40	6	12	15
C10801	1100 1150	63 37 20	67 47	85	68	72 110	80	Racai (*219 )	210 230	16	27	28	512	9	17	(*292 ) Thom EM) (*789 )	300 750 800	11 60 27	18 93 62	29 102 71	14 10 29	23 10 57	24 30 50
Kingfisher (*284 i	280 300	22 11	28 18	36 26	10 21	11 28	31 31	RTZ (*511)	500 542	9	38	55	33	25	.27 	TS8 (*142.)	130 140	13	21 13	23 16	3	5	7 10
Ladbroke	300	32	39	52	1	22	12	Scot. & New (*329 )	300 330	33 10	48 30	37	2½ 14	20	14 25	اندد Reefs (S130)	130 140	4	19 12	2 <u>1</u>	10 16	13 20	17 23
(°318 i	330	42 2	501 <sup>5</sup>	35	18	23	ž	1esco (*200 )	180 200	22½	27 L 144	344 214	11 51	34 94	41, 112	Wellcome (*724 I	700 750	58 35	98 73	129 103	30 57	45 73	55 80
Land Secur (*496 )	460 500	57 29	65 38	<b>80</b> 55	4 20	11 26	33 33	Option Ferranti	35	_	<b>Kry</b>	_	Har 31 <sub>2</sub>	May 512		2190	F1-9 2150 2	E 180 200 2	EX (* 250 2	2323) 300 2	350 2	<b>408</b> 2	1450
M & 5	180	25	29	36	25 9	.5	6	("39)	40	7½ 5	11/2	-	ě	1	-	CALLS Jan 228	178 1	29	78	28 ]	Į Į	ь	b
(*198 )	200 220	4	11	22	23	12	13	Option		Apr	ᆂ		<b>Apr</b>	Jel		Feb 343	196   217	.75 I	38 I	02	42 73	23 52 75	7 2 2 3 3 5 5
STC (*249.)	240 260	22 12	31 21	38 27	14 24	16 27	19 30	Jaguar (*849 )	800 850	è	52 7	Ξ	Ξ	1	2	Apr – Jun † 305 Dec r –	- 2	- 1 27 15	60 j	28 55 41	- 1	75 03 90	55
Sainsbury	260	19	25	32	9	10	13	Option	2/-	_	Hay		Feb	May		PUTS		<del>-</del>	1 2		27	78 :	120 4
(°264 )	280	9	16	-	19	20 20	- 37	(*268 I	260 280	11	Ţ.	Ξ	75	Ξ	Ξ	Jan 1 Feb 9	12	19	27	42 58	65	98 1 08 1	135 145 155
Shell Trans. (*471 )	460 300	20 10	<b>5</b> 23	<b>55</b>	17 35	47	27 -	Optium		Mar.	Hay	Ang.	Mar.	Hay	Ang.	Mar 17	24	32 48	52	56 68 77	88 L	20 i	نگ ح
Storebouse (*116 l	110 120	15 8½	11 11	21 13	5 9	13	10 13	Polly Pack (*405 I	390 420	36 կ 20 կ	471. 311.	624 464	13\ : 28\	22 L 39	27 L 43	Jon 1 30 Dec 1 — January 30 To	_ Raj Cr	88 Intract	- 1 5 69.9	20		51 65	Ξ.
1rafalgar (*338 )	330 360	32 17	58 23	50 35	15 32	23 42	25 45	Thames Water (*155)	140 160	20 1	22 11	20 16	ų,	3½ 10	6 16	Calls 40,402 FT-SE Index I "Boderlying st	Puts 2 Lails 2	8,525 6099	Puts 1	7876	ted ex	pky s	ot <b>i</b> es

#### **UK COMPANY NEWS**

West German disposal will reduce retailer's gearing to about 40%

### Next sells Biba chain for £47m

NEXT, the high street fashion retailer and mail order group, has sold Bibs, its chain of 60 women's fashion sbops in West Germany, for DM134m (£47.6m), including repayment of debt of £2.9m.

The buyer is Hapeni Portfolio, a company set up by a group of European investors for the purpose of hidding for the chain. Biba's management team, which earlier tried to buy the company itself, had

supported the Hapeni bid. Mr David Jones, Next chief executive, said negotiations had been difficult, having started last autumn. After a weekend of negotia-

tions a decision had still been in the balance late on Monday

ALBERT FISHER, the foods

group, is huilding np its interests in sauces and dress-

ings vie the purchese of Beswick, a UK producer, for

a maximum consideration

Beswick, which manufac-

tures mayonnaises, salad

dressings and sauces, becomes

the second UK company in this

product area within the Albert Fisher group. Its porchase also marks the group's second

acquisition this year, follow-

ing hard on the beels of that of a Dutch mushroom pro-

Albert Fisher recently raised

£180m through a rights issue

chest to enable it to continue

AUG [a][b] NOV [c]

Total to UK

15,085 ... 12,756



David Jones: Biba sale marks

day of the group's financial year. The cash was paid into Next's bank account yesterday. Biba's net asset value was £3.1m, and there will be an extraordinary profit of £44.5m in Next's 1989-90 accounts.

This will allow the group's year end balance sheet to show net worth of some £400m, and, by reducing net borrowings. bring gearing down to about 40

Biba made profits of £7.9m in 1968-89. It is expected to show a lower profit in 1989-90, after a

slight decline at the half way stage.
It is also expected that the interest saved by Next as a result of the sale will roughly offset the loss of profits from

Biba in the new financial

marked the end of the group's disposals of non-core activities and that he could start the new financial year "with my mind totally devoted to sorting out

our on-going businesses. The group has cut back its high street presence, and is concentrating on two fascias -Next and Next Originals. He said the group's high street trading had picked up in

the last quarter of the year with sales volumes now flat on a like-for-like basis rather than showing a decline. Last week Next launches its

new spring/summer fashion ranges, the first to be completely designed by the group since the departure of Mr George Davies, the former chairman and chief executive who was sacked in December

#### **Duncan Lawrie** ahead by 15%

By David Lascelles. Banking Editor

Duncan Lawrie, the private banking arm of Walter Duncan & Goodricke, last year raised pre-tax profits by 15 per cent to \$1.04m, the first time they have

The growth of the banking division was restricted by a conservative epproach to lend-ing, but new accounts are now being taken on.

The investment management and pensions divisions made an increased contribution, and there was also growth in the bank's Channel Islands

Total assets rose 18 per cent

keen to complete the deal before today, which is the last

Sauces buy for Albert Fisher

with its active acquisitions policy.

The -initial consideration for Beswick is £2.5m which will be satisfied by a mixture of cash and shares. In addition

there may be a deferred peyment on an earn-out The Lanceshire hased company has net tangible assets of about £985,000. Adjusted profits before taxation in respect of the year to end-October were £422,000.

The maximum extra sum of £2m, to be satisfied in shares, will become payable on the basis of £5 for every £1 of pretax profits achieved hy Beswick in excess of £900,000 in

To UK residents by reporting institutions in the UK at November 30,1989 (Bank of England Quarterly Bulletin)

ANALYSIS OF BANK ADVANCES AND ACCEPTANCES

the two years ending October 31 1991.

Albert Fisher ran into complaints from some institutional sbarebolders over several aspects of its recent capitalraising exercise and was forced to alter the terms in one

espect: Corporate Partners, the US investment fund which underwrote the rights issue and also aubscribed for shares in e placing, was originally automatically entitled to put directors on Albert Fisher's board in e manner related to its shareholding.

Any snch election pro posals will now have to go immediately before sbare-

Total [d]

1,974

#### **DY Davies** advances 26% to £633,000 By Peter Franklin

HAVING PUT the problems associated with delays on two major projects firmly behind it, DY Davies, the USM-quoted architectural practice, improved on last year's advance when it reported pretax profits up 26 per cent to £633,000 for the six months to October 31 1989.

In the year to April 1988 extra costs had been incurred by the Surrey-based company when it increased its staff to enable it to undertake the proiects.

However, the City of London delayed work on the Guildhall to add further adjacent properties to the development and the London Docklands Develdown plans for phase two of London Bridge City with the result that in that year Davies' profits were halved.

Mr David Davies, chairman, said thet business had since been buoyant and the forecast for future workloads was strong. The company had therefore retained up to 20 of the extra staff.

Turnover for the half-year increased from £4.78m to £5.5m and operating profit rose 36 per cent to £729,000 (£537,000). The nst interest charge was up at £96,000 (£33,000) and tax took £228,000 (£186,000) after which diluted earnings per 5p share worked through at 7p (5.4p). An interim dividend of 1.8p (1.5p) was declared.

In November Davies acquired the architectural practice of Hugh Wilson & Lewis Womersley. This acquisition would, said Mr Davies, open up new areas of business to the group in both the north of England and Scotland. And on Monday of this

week, the company signed a cross-agreement with companles in Rome, Paris, Brussels and the Algarve. It is through the forming of associations with European partners that the future for

UK companies in Europe lies, said Mr Davies. Although economists were predicting a difficult year ahead for the industry and the collapse in the residential and cent to £38.62m (£28.28m). retail market would have a Earnings per share dipped from 19.27p to 6.87p and the recommended final dividend is knock-on effect, the company was not over-committed in these sectors, Mr Davies said.

#### and a full 12 months from Morrell Packaging.

SHARES OF Robert H Lowe yesterday fell 4p to 42p as the sports, leisure, baby and chil-Directors said that "some headway" had been made in improving margins in certain areas of the group's children's dren's wear group revealed a pre-tax profits and a severely wear operation.

At the trading level, Lowe recorded a 21 per cent rise to An extraordinary charge of £598,000 related to Lowe's with-£2.28m (£1.89m), but sharply drawal from non-core activities which included the closure of the Irish dyeing and finishing business and the boys shirt manufacturing operation in £1.28m (£387,000) reduced the taxable balance from £1.5m to Turnover expanded 37 per

Directors added that continned high interest rates would depress earnings in the current year. Profits for the first half were not expected to be much better than break even, they said, but the outlook for the second six months was "sub-stantially improved".

### AIM falls to £1.3m and shares drop 55p on full year warning

SHARES IN AIM Group, the aircraft interiors manufacturer and property developer, fell sharply yesterday after ths company said profits for the current year would be materially below last year's result.

The company yesterday

reported a fall from £2.08m to \$1.3m in pre-tax profits for the half year to end-October. In the last full year it made

AIM said a significant downturn in the property division would offset a buoyant performance on the contracting side and an unchanged contribution from aviation in the full year

AIM's shares yesterday fell 55p to 220p. In July last year, the company raised £9.3m through a one-for-four rights

issue pitched at 365p. In the half-year, profits from the property division fell from \$917,000 to just \$28,000. AIM said sales of residential properties were at a standstill while trading conditions in the commercial sector were also diffi-

Delays in the McDonnell Dongles MD-11 programme neld back the aviation division, which contributed £918,000 (£858,000). It was also affected by recruitment of additional personnel to cope with an enhanced enquiry level.

Contracting was the bright spot, increasing profits from £208,000 to £379,000. AIM said that reflected the continuing strength of the market for

Mr Jeff Smith, chairman, said the medium to long term prospects for the aviation division continued to be extremely buoyant. But the sbort-term problem was being compounded by recent industrial action at Boeing and currently at British Aerospace, which would cause some deliveries to slip into the next financial

The company's £13m property portfolio, of which rather more than half is commercial is mainly based in the south-west of England.

Turnover was £22.19m (£22.45m). Earnings per share fell to 6.8p (12.7p) and the interim dividend is maintained at 2.4p. There was a £553,000 extraordinary profit arising from the sale of a subsidiary.

#### Pacific Assets Trust to raise £20.2m via placing

RH Lowe falls to £1m

By Clare Pearson

PACIFIC ASSETS Trust is in the trust's fully-diluted net issuing units of ordinary sasset value per ordinary share sbares and warrants. This raises £20.2m to fuel continued investment in the Asian Pacific

region.
The units, comprising one ordinary share and one-fifth of a Series 1 warrant, have been conditionally placed but are to be offered to qualifying sharebolders and warrant holders on a five-for-ten.

Pacific Assets said the placing and offer has been priced to provide a marginal increase

reduced final dividend.

increased interest charges o

cut to 0.25p (2.25p) for a total of

T.5p (3.5p).
The results included an undisclosed contribution from Lewing, acquired in March,

after allowing for a net interim dividend of 0.875p and all estimated expenses. Pacific Assets was set up in

1985 by Ivory and Sime, the Edinburgh fund managers, to invest in the Asian Pacific region excluding Japan and Australasia. Since then, shareholders funds' have risen from £11.46m to £33.70m.

The Series 1 warrants are dne to expire, and be suc-ceeded by Series 2 warrants, in five years' time.

#### Brent Walker sells its 29.9% stake in Trilion By Andrew Bolge

Brent Walker, the leisure and property group, has disposed of its 29.9 per cent stake in Tri-iion, the USM-quoted television

production company. Brent Walker's 17.47m shares were placed at 46p each with institutional investors by Houre Govett, Trilion's broker. Shares in Trilion closed 1p

higher at 47p.
Trilion was informed that clients of MIM, investment managers, had raised their stake in Trilion to 21.3 per cent and Electra Investment Trust

now had 6 per cent. Meanwhile Brent Walker announced that trustees for Mr George Walker, chairman and chief executive, and his family bad bought 500,000 Brent Walker ordinary shares at 845p last Friday, raising their stake to 24.3 per cent.

#### Correction.

#### Mr Douglas D'Arcy

In the issue of January 25 1990, the Financial Times published an article entitled "Chrysalis records £11.5m loss as US prob-lems bite". We wish to make it clear that, contrary to the impression given by the article, Mr Douglas D'Arcy was not the director in charge of the US records operation of Chrysalis during the majority of the period when the losses discussed in the article were incurred.

#### **Queens Moat** raises Norfolk Capital stake

and would continue to develop-its expertise in the growth areas of health care and lei-

sure design.

QUEENS MOAT Houses has increased its stake in Norfolk Capital Group, the rival hotels company for which it is bidding, from about 2.5 per cent to

The main block of the increase was bought at 42%p from Brewin Dolphin, the stockbroking and fund management group. Queens Moat said yesterday it would post its offer document to Norfolk shareholders as soon as possi-

Norfolk has spent the last seven weeks fighting an attempted management coup hy Balmoral International, a privately-owned hotels group.
Its shareboldsrs voted

against the Balmoral proposals at a special meeting on Mon-day, but the beleaguered group must now fend off the Queens Moat epproach, which is worth 43p per share, compared with yesterday's closing price for Norfolk shares of 44 %p, up 1%p. The bostile bid values the 1%p. The hostile bid values the whole of Norfolk at ahout

#### **Competition limits** rise at Wm Ransom

Taxable profits of William Ran-som & Son, the manufacturing chemist, rose by just £13,000 to £320,000 for the six months ended September 30.

Directors said competition in the group's traditional markets had been intense and added

that it was too early for the depreciation of the pound to have had a beneficial effect on its exports.

**NEWS DIGEST** 

Turnover was virtually static at £2.99m (£2.94m). Improved margins resulted from a change in sales mix and a move into new areas.

After tax of £112,000 (£107,000) carnings worked through at 1.36p (1.32p). The interim dividend is stepped up to 0.525p (0.5p).

#### Sturge buys Lloyd's agency for £2.15m

Sturge Holdings, the Lloyd's underwriting agency group, is acquiring Hall Harford Jeffreys Langdale for a total consider-ation £2.15m of which £360,000 is to be satisfied by the issue of 129,000 shares.

HHJL is a members' agency with 168 names, a large num-ber of which are in Austral-asia, with an allocated capacity of £76m. It will be merged with Oxford Members' Agency which also has a number of names in Australasia.

#### **Dudley Jenkins** at £321,000

Profits of Dudley Jenkins, a USM-quoted list broker which derives the major part of its income from the supply of mailing lists to advertisers in the UK and abroad, rose from £241,000 to £321,000 pre-tax in the six months to October 31.

was achieved on the back of a 43 per cent advance in turn-over to £3.82m. Earnings emerged at 4.31p (3.19p) and the interim dividend is raised

0.2p to 1.2p.
The half-year results included two months trading included two months trading. from three recent acquisitions, Transmail, Magazine Mailing (Southern) and Dowerhill.

#### Earnings ahead at Scottish National

In its report for the first quarter, covering the three months to December 31, The Scottish National Trust announced earnings per share of 1.97p, up from 1.93p, from net revenue shead from £3.12m to £3.18m.

An interim dividend for the period of 1.7p is declared, up from the 1.4p paid at the same stage of the previous year, although directors said the increase was intended to reduce disparity between interim and final payments.

#### Partridge beats forecast with £3.2m

Partridge Fine Arts, the antique furniture dealer which joined the main market through a placing last September, yesterday announced pretax profits of £3.2m for the year ended October 31 1989, comfortably beating the £3m forecast at the time of listing. at the time of listing.

The result was struck on turnover of £12.85m, and after

tax of £1.11m earning share came out at 11.81p. The directors propose a maiden dividend of 0.75p.

Last year the company made me-tax profits of £2.34m from turnover of £9.82m.

Directors said trading in the current year had been encouraging and as a result of the placing the company now had sufficient resources to finance the requirements of the business for the foreseeable future.

#### Trinity invests in television production

Trinity International Holdings, the Chester-based newspaper publisher, has taken a substantial minority shareholding in Liberty Television, a small television production company founded last year.

Mr Ossie Head, in charge of Trinity's corporate develop-ment, said: "We suspect there is an opportunity in TV production in the future and this will enable us to find out."

Trinity would not disclose how much it had invested but the shareholding is thought to have cost a few bundred thousand pounds.

Liberty, founded by Mr Jac-que Evans and Mr Michael Drinan, is currently producing the geographical game show, Paperchase, which will be shown by Anglia Television in the

Trinity is also e shareholder in British Satellite Broadcast-

#### Residential Property Securities No. 2 PLC

£200,000,000

Mortgage Backed Floaring Rate Notes 2018

The rate of interest for the three month period 29th January, 1990 to 30th April, 1990 has been fixed at 15.45 per cent. per annum. Coupon No. 7 will therefore be payable on 30th April, 1990 at £3,851.92 per coupon.

Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £20,934,966. Aggregate interest charging balances of Mortgages redeemed as at 26th January, 1990: £72,723,101.

The aggregate principal amount of Notes outstanding as at 26th January, 1990: £200,000,000. S.G. Warburg & Co. Ltd. Agent Bank

KB IFIMA N.V.

KB internationale Financieringsmaatschappij N.V.

US\$ 150,000,000 Guaranteed Floating Rate Notes Due 2011

in accordance with the Description of the Notes, notice is hereby given that for the interest period from January 29, 1990 to April 30, 1990 the Notes will carry an interest rate of 8.40 % per annum,

The interest payable on the relevant interest payment date,
April 30, 1990 against coupon no 16 will be
US\$ 212.33 per Note of US\$ 10,000 nominal and
US\$ 5,308.33 per Note of US\$ 250,000 nominal.



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were to increase 'other financial' by some \$1.50n in the retail banks group, and to decrease house particles by some \$1.50n in the banks group. The changes have been adjusted to reflect the underlying movements.

[I] Changes in arrangements for the financing of certain banks' consumer and leasing credit activities may have lead to an increase in sterling lending over the four months from 1 November 1983. In the quarter to end-November 1988 this probably increased sterling lending to 'other financial' by some \$23.500.4bn, and during the quarter to end-February 1989 by some \$23.500.4bn, and during the quarter to end-February 1989 by some \$23.500.4bn, and during the quarter to end-February 1989 by some \$23.500. The changes have been adjusted to reflect the underlying movements.

[k] Changes in the quarter to end-August 1989 have been adjusted to continue to reflect Abbey National as a building society. See also footnote ".

### restructure and suspected fraud

A SUSPECTED fraud, the cost of major management restructuring and a higher tax charge to Sweden have conspired to reduce profits at Microgen, the information management systems group, for the first

time to six years.
The company, which claims The company, which claims to have 50 per cent of the UK market for bureau-based computer output on microfilm, laser printing and computer aided typesetting, reported pre-tax profits of 27.2m for the year ended October 31 1989, a decline of 28 per cent on the previous year and about 22m below analysts' expectations.

Earnings per share were hit even harder — down 35 per cent at 11.1p reflecting the higher Swedish tax charge which cost the company some

which cost the company some £300,000.

£300,000.
Sales were up 14 per cent at £45m compared with £39.5m a year earlier. The company had warned at the half-way stage that profits would be lower and its shares closed at £21p, only 4p down on the day.

Mr Patrick Barbour, chairman, said the company had made a provision of £839,000 against what he described as the possibility of a deliberate and systematic fraud.

and systematic fraud.

The police are now complet-ing investigations into the matter and are expected to lay charges against a former senior executive of the company. Mr Barbour said that as the case was now sub judice he could give no further informa-tion. The company hoped, how-ever, to recover a proportion of the missing funds.

He said that revamping the management structure of the UK company and redirecting its strategy towards information management services had cost some £600,000. Losses from the ill-advised purchase of a direct rapid correction that its contract that it is contract that it is its contract that it is it is it is contract. direct mail company, shortly to be sold, cost £200,000 and the write-off of demonstration stock, £360,000

The directors recommend a final dividend of 4.5p making a 6.7p (6.5p) total.

O COMMENT

Analysts were understandably irritated by Microgen's figures after expecting pre-tax profits in the £9m region. They believe, however, the company is basically sound and that it has now revealed all the bad news. Many of the problems seem to have been the result of aloppy management which failed to anticipate the need for investment in a new generafailed to anticipate the need for investment in a new generation of computer equipment or to understand how difficult it would be to integrate Microgen and Scan Laser, the two principal companies in the group. Mr John Thorpe, formerly managing director of tha security print division of De La Rue, has now taken over as group managing director. Analysts are nowforecasting pre-tax profits of at least £9m for 1990.

#### Invicta Sound extends its range with French buy

By John Thornhill

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INVICTA SOUND, the Kent-based radio company, will soon be soothing the ears of half a million French listeners after buying the evocativelynamed Radio Nostalgie licence for the Boulogne and Calais

Radio Nostalgie's programming is simed at the over-35s
- what Invicta calls the "golden oldies marketplace." The station broadcasts middle of the road music such

as Frank Sinatra. The USM-quoted Invicta also has an interest in Continental -FM, which broadcasts in north west France, Mr Nigel Reeve, Invicta's managing director sald this station aimed its programming at 15 to 34-year-olds, but added that the two stations would be able to

advertising sales team based in

The acquisition has been made through Invicta's wholly-owned subsidiary, Invicta Continental, to comply with

French broadcasting rules. The cost of the purchase was not disclosed but Mr Reeve said it could be funded out of invicta's cash flow. Southern Radio Holdings

has increased its shareholding in Invicta Sound to 19.8 per cent. Earlier this month it bought a 15 per cent stake from Crown Communications. Invicta has previously been in merger talks with Southern and Mr Reeve did not discount the possibility that they would begin again. But he considered that such discussions were unlikely to take place in the

#### **Throgmorton Trust's** assets decline to 99.3p

By Andrew Bolger

THROGMORTON TRUST, the investment; trust which owns the Framlington fund management group, yesterday reported a 2.2 per cent drop in net asset value from 102.22p to 99.26p over the year to Novem-

During the same period, the FT All-Share Index rose by 22 per cent, but Throgmorton suf-fered because of its focus on smaller companies.

The final dividend goes up to

2.38p (1.85p), making a total for the year of 3.18p (2.65p) per Gross revenue increased

from £19.51m to £25.32m, but dividends from investment dropped from £13.36m to £12.8m. Expenses and interest took £13.72m (£8.95m).

Framlington made pre-tax profits of £6.71m in the period. its results were not consolidated, but the fund manage ment husiness does have an impact in terms of income received by Throgmorton, and on interest payable hy the

Lord Ezra, chairman of the trust, said: "The flow of revenue was higher in the second half of the year, producing a satisfactory result for the 12 months as a whole."

He added: "The trust's asset growth was affected by the

growth was affected by the underperformance of smaller companies but the board now considers the heavy markdown of such shares has created favourable circumstances for

#### FOOD INDUSTRY

The Financial Times proposes to publish this survey on:

6th March 1990

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FINANCIALTIMES

### Microgen hit by | Ascending the slopes and seeking new horizons

James Buxton and David Owen on East of Scotland Industrial Investments' hostile bid for Saltire

THE COVER of East of Scotland Industriel Investments' latest annual report depicts a string of cable cars on a mountain. of cable cars on a mountain.

This is the Nevis Range
Development Company, a project to develop aking on the
slopes of Aonach Mhor, near
Ben Nevis in the West Highlands.

Skiing is just one of the diverse sectors in which ESII, an inquoted investment group with holdings chiefly in unlisted companies, has an interest. Others include waste disposal, structural steel engineering and printed circuit board manufacture. The group's 15.7 per cent stake to Nevis Range is a relatively small tovestment, having cost just £137,500.

Now the company is attempting to add insurance to its portfolio through a hostile £11.8m bid for Saltire Insurance Investments, a fellow Edinhurgh investment trust founded by Rodgson Martin in mid-1987 to invest in groups offering insurance and related

The offer, which is worth 78.75p per share, is equivalent to 105 per cent of Saltire's estinated formula asset value on The offer document and sub-sequent comments made by ESH make much of Saltire's poor performance. And indeed the group is rated the worst performing Scottish invest-ment trust out of 44 over the past two years.

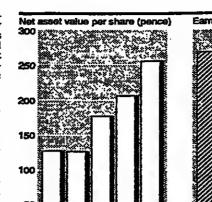
But what of ESII's own perpany's net asset value per share was in marginal decline between 1984 and 1986 before registering strong growth over

the next three years.

In fact, analysts tend to regard ESII as a one-stock company which has come good thanks to its holding in Shanks & McEwan, now one of the IK's largest wasta disposal UK's largest waste disposal

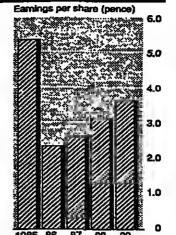
Shanks & McEwan came to the stock market in early 1968 with its shares priced at 650p. Last year, a combination of earnings growth, the vogue for "green" stocks and the group's ownership of large tracts of landfill space in the south-east of England carried the shares to £18. They are now back to

Quayle Munro, the Charlotte Square-based merchant bank which manages ESII, advised Shanks & McEwan on the 1982 financial reconstruction that



set it on the path to growth. ESII's 700,000 shareholding in the company is now worth £9.38m (or more than ten-times its cost), accounting for more than 40 per cent of overall

Nonetheless, Mr Michael Munro, who runs ESII, is at pains to stress that Shanks & McEwan is not a lone shooting star. He points out that eleven



invested in over the past five years have either obtained a listing or quotation, or been

He says: "You are always going to have one spectacular winner. We are always fairly conservative in our valuations of unquoted companies. There

Roskel

are several other interesting companies in our portfolio."

Quayle Munro has also had its share of problems.

expands via

acquisition

ROSKEL, the USM-quoted suspended ceilings and parti-tioning specialist, has acquired Access Rental and its

snhsidiaries, for a total of

The consideration was satisfied hy the Issue of £1.69m ordinary shares, of which 793,247 are being retained hy

certain of the vendors. The balance has been placed with

institutional investors at 111p

The company is also raising about £234,000 in a placing for

cash of 210.537 new ordinary,

again at 111p per share. Pro-ceeds will be used to provide the enlarged group with addi-

Access, which specialises in the hire of bydraulic lifting

towers, made pre-tax profits of

£230,438 in the year to May 31 1989 on turnover of £1.84m.

Assets at that date were

improves to £80,000

tional working capital.

Martin Shelton

pany, for example, was hit by the oil industry downturn. It was eventually taken over in 1985 by IFICO, an investment company, at e price not unfa-vourable to shareholders. More recently, Aonach Mhor,

East of Scotland Onshore, an investment trust involved in

unquoted oilfield service com-

panies and an ESII sister com-

having opened just hefore Christmas, was hit by a series of well-publicised incldents tovolving equipment malfunc-tions and the injury of a skier on the resort's ski-lift.

Mr Munro says that the faults were immediately rectified by the Austrian contractors and that Nevis Range should benefit in the longer run from the fact that snow tends to lie longer on Aonsch Mhor than at competing Scottish resorts.

Nevis Range is one of several recent operations which have hrought a higher profile to Quayle Munro in its seventh year of existence. The company was founded by Mr Munro and Mr Ian Jones ~ whose middle name is Quayle - in 1983.

After a number of corporate finance deals, it lately broke new ground when it was choOffice on the privatisation of the Scottish electricity indus-

In addition, it counselled the government on the future of the Scottish Development Agency's investment activities. Having told the government bow to organise the sale of the state-owned Scottish Bns Group, it is also involved in the sale of the individual units into which it is being divided. Mr Munro regards these and other activities as "steps up the ladder" to become a higger player in the Edinhurgh corpo-

rate finance scene. in 1990, whether or not the Saltire bid succeeds, ESII intends to seek investment trust status. This is likely to be a valuable step for the group, since it would lose its liability for capital gains tax on its investment successes

Though investment trusts do not normally have more than 15 per cent of their assets in any one share, Mr Munro does not expect ESII's interest in Shanks & McEwan to present an obstacle to this ambition.

The timing and form lo

which the company made the investment means that this restriction will not apply, he

**AVIATION IN ASIA &** 

THE PACIFIC

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FINANCIALTIMES

### Rush & Tompkins builds a 7.4% advance to top £3.5m

By Vanessa Houlder

RUSH & TOMPKINS, the UK terday announced a 7.4 per cent increase in pre-tax profits from £3.82m to £3.56m for the six months to September 30 1989. Turnover increased from £110.19m to £138.54m.

Mr Nigel Dunnett, managing director, struck a note of can-tion about the effect of tough market conditions on several joint ventures which are due to be sold in the second half. However, negotiations were under way and he was quietly confident, he said. In the first half four develop-

ments were sold. They were a retail and office development in Bristol, a retail development in Kilmarnock and industrial investments in Southampton and Glasgow.

Mr Dunnett said he was bas-

ing decisions on the supposition that interest rates would come down in the autumn. "Atreason to sell properties at a massive discount," he said.

The programme of joint ven-

ture developments was going well, particularly in Scotland and the north of England, said

COLONNADE Development

Capital, a small investment company which is the target of an £8.24m hostile cash hid, yes-terday announced that it had

terday announced that it had raised £1.55m by selling 860,185 shares in TIP Europe, the trailer rental group.

Stratagem Group last week offered 163p per share for Colonnade, which rejected the offer as madequate. In Decem-

ber Stratagem led shareholder opposition which hlocked a plan by Colonnade to reorgan-

ise its management and pur-chase British and Common-wealth Holdings' development capital arm, Colonnade's

Colonnade said that follow-

ing the TIP Europe disposal, its portfolio yesterday contained

cash, cash receivables and

quoted government securities with a total value of £7.1m (representing 140p per Colon-nade share in addition to the proposed dividend of 3.2p net

investment manager.

By Andrew Bolger



Nigel Dunnett: basing decisions on the supposition that interest rates would come down in the autumn

In Europe an office park development in Hamburg is due to start later this year. Planning consent has also been granted for an office block in

sbon. The group's interests in the Bahamas were going well, said Mr Dunnett. However market conditions in the US remained difficult.

Agreement has been reached with Hochtief of West Ger-

Colonnade helps build bid defence with

for the year to October 31). Colonnade also said it held

equity investments in Imtec

Group, which makes drawing office equipment; Sherwood

Computer Services; JT Ellis, a

furniture maker, Reedpack, a paper company, and Pelham Communications, a marketing

services group.

Mr Richard Wevill, a director

of Colonnade, said it was a matter of public record that his group owned 53.1m shares in Imtec, which had a current

market value of £1.86m. That stake alone would add

an extra 37p to the value of each Colonnade chare. Colonnade repeated that the

Stratagem offer of 163p per share did not represent fair value for shareholders.

Colonnade shares were now trading ex the dividend pay-able for the year ended October

31, effectively making the offer worth only 159.8p per share. Shareholders were urged to

£1.55m sale of TIP Europe shares

undertake road, hridge and motorway projects in the UK. After being restructured in 1986 Rush & Tompkins has specialised as a contractor/developer. It invests no more than 50 per cent in a single development for which it also does the

Earnings per share increased fom 15.6p to 15.7p, and an unchanged dividend of 4p is

await the hoard's own propos-

Stratagem said yesterday that it had hought 250,000

shares in Colonnade on Mon-

day at 163p each, representing 4.9 per cent of Colonnade's

This hrought the number of

shares either owned or con-trolled by Stratagem to 18.1 per

On announcing the offer, it had received expressions of

13.6 per cent of the

Colonnade shares closed

unchanged at 165p, and Stratagem remained at 185p.

share capital.

total.

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WEEKEND FT every Saturday.

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#### Martin Shelton Gronp, the USM-qnoted supplier of dia-

£684.482. ··

gifts, reported pre-tax profits 16 per cent higher at £80,000 for the six months to Septem-ber 30.

Turnover rose 28 per cent from £1.06m to £1.3m. The interim dividend is lifted 50 per cent to 0.75p (0.5p), pay-eble from earnings ahead 18 per cent to 1.04p (0.88p) per 10p share.

Stonehill

Stonehill Holdings, a furniture maker and property investor yesterday announced sharply increased pre-tax losses at the

interim stage.

For the six months to September 30 the deficit rose from £396,000 to £904,000. Turnover declined from £6.01m to £4.19m, with losses per share amounting to 4.73p (2.52p).

Prior to the offer Stratagem said it owned 4.5 per cent of Colonnade's ordinary shares. Correction

support from holders of 42.7 per cent of Colonnade's shares, of which it had subsequently bought shares representing Honorbilt

Honorhilt is issuing shares

worth £500,000 to pay for the brand names and certain sets of Parkes Clothing. The terms were incorrectly reported yesterday.

#### issued by NIPPON STEEL CORPORATION

NOTICE TO HOLDERS OF WARRANTS

in connection with its U.S. \$600,000,000 31/4 per cent. **Bonds due 1992 with Warrants** (the "1992 Bonds")

U.S.\$1,200,000,000 4½ per cent. Bonds due 1993 with Warrants (the "1993 Bonds")

Nippon Steel Corporation (the "Company") on 26th January 1990 issued its ¥ 100,000,000,000 0.10 per cent. Bonds due 1994 with Warrants and on 27th January 1990 250,000,000 shares of its common stock.

NOTICE IS HEREBY GIVEN that as a result of those two issues the Subscription Price of the Warrants issued in connection with the 1992 Bonds changed from ¥687.0 to ¥ 685.20 on 26th January 1990 and then from ¥ 685.20 to ¥ 682.10 on 27th January 1990, and the Subscription Price of the Warrants issued in connection with the 1993 Bonds changed from ¥ 932.00 to ¥ 929.50 on 26th January 1990 and then from ¥ 929.50 to ¥ 925.30 on 27th January 1990.

Save for those adjustments to the Subscription Prices the terms of the Warrants issued in connection with the 1992 Bonds and the terms of the Warrants issued in connection with the 1993 Bonds remain unchanged.

NIPPON STEEL CORPORATION

(President and Representative Director) Dated: January 31 1990

> NOTICE TO THE WARRANTHOLDERS OF UNY CO., LTD. U.S.\$60,000,000 2 3/4 per cent. Bonds Due 1991 with Warrants

Mosice is bereby given pursuant to Classes and 4 of the Instrument dated 25th June, 1986 (the Tustrument'), as follows:

At its meeting held on the 30th day of January, 1990, the Board of Directors of the Company resolved to make of free shap distribution to the abarcholders of record on the date specified below at the rate of 0.05 share per one share held.

The necessity date is

\*\*No per cess... across Dec 1993 with Warrants Notice in hereby given pursuant to Chauses 3 and 4 of the Instrument dated 22nd June, 1986 [the "Instrument"], as follows:

1-As it is meeting held on the 30th day of January, 1940, the Board of Directors of the Company resolved to make a free shan distribution to the shareholders of record on the date specified below it the rate of 0.03 share per one shareholders of record on 0.05 share per one shareholders of record on 0.05 share per one shareholders of the rate of 0.05 share per one shareholders of the same per one share holders of record data in Japan in the 20th day of February, 1990, and the aforesaid free share distribution will result justice price of the per share of common stock of the Company and the price which will result, pursuant to the groung effect to the alternated free share distribution will be 2.08.260 Japanese Yen per share of common stock.

UNY CO. LTD.

NOTICE TO THE WARRANTHOLDERS OF

UNY CO., LTD.

U.S.\$150,000,000

4 1/8 per cent. Bonds Due 1993 with Warrants

### UNY CO., LTD. By: The Tokai Bank, Lumited

UNY CO., LTD. By: The Tokai Bank, Limited

### Have you booked your holidays yet?

#### **COMMODITIES AND AGRICULTURE**

### Canadian miners hit a thin profits seam

Bernard Simon on the problems that have prompted a spate of mine closures

EMORIES OF the dismal early 1980s have been resurfacing in Canada this month as one base metal producer after another tightens its belt by closing mines and laying off workers.

A combination of weak demand, sliding prices, poor productivity and high costs has prompted the cuts. Announce-

ments made in the past three weeks include: Cominco is to close its big Sullivan zinc mine in British Columbia with a loss of 700

Inco, which accounts for almost a third of non-eastern bloc nickel output, bas cancelled overtime at its nickel operations in Ontario and Manitoba, as well as at its refinery at Clydach, Wales. The cutback will reduce 1990 output by about 5 per cent to 400m

@ Falconbridge will reduce 1990 output by 10 per cent to 135m lbs. partly by closing one of its mines at Sudbury, northern Ontario. The company also plans to cut capital spending. • Rio Algom is trimming its uranium production by more than two-thirdo by shutting two northern Ontario minas, with the loss of 1,600 jobs. • Westar Mining, Canada's biggest coal producer, warned after concluding a new contract with Japanese customers last week that sbipments in

will be significantly lower than in the previous 12 months.

• Potash Corporation of Saskatchewan will close temporarily two mines, accounting for more than half its output.

Earlier, aluminium producer Alcan shut down a production line at its smelter at Arvida, Quebec four months ahead of schedule, and brought the first phase of its Laterriere smalter into production at only 40 per cent of capacity.

(£1m) a month. "They're picking on their weakest mine in a weak market," says Mr Bruce Reid, analyst at Loewen Ondaatje McCutcheon in Cominco, which until 1986

unions at the Sullivan mine,

whose members earn np to 40

per cent more than their coun-terparts in the US. Sullivan

has recently been losing C\$2m

Producers, stung badly in the early 1980s, are cutting back more quickly now to prevent a stock build-up and hold down costs

If there is a common thread running through these austerity measures, it is that the producers, otung badly in the early 1980s, are pulling in their horns more quickly now in an effort to prevent an expensive build-up of stocks and to bold

down operating costs.

Mr John Lydall, mining analyst at First Marathon Securities in Toronto, says a common view among the companies is that "if they can control inventories going into a slowdown, they're going to be in better shape coming out of it, no matter how long it lasts." Inco'o nickel stocko, for example, stood at a 20-year low of 46m lhs last September, about a third of their level at the end

was controlled by the diversified conglomerate Canadian Pacific, is now under the more eagle-eyed management of an international mining consortium headed by Teck Corpora-tion of Vancouver. The com-pany is virtually debt-free, except for a project loan for the ricb Red Dog zinc mine in Alaska, which will start shipping material in June.

The balance sheets of Inco,
Alcan and Noranda are more

Inco's debt doubled to US\$1.3bn last year, largely because of borrowings to fund a opecial US\$10 a share dividend that was paid to sweeten the pill the company asked shareholders to swallow early last year. Inco's share price on

Cominco has clearly lost the Toronto stock exchange patience with the militant has tumbled in the past year has tumbled in the past year from C\$44.25 to less than C\$28

> Alcan's cash flow is being sapped by beavy capital spending. Mr Lydall warns that the company may have to cut its dividend if aluminium prices continue to slide.

Noranda's ambitious debt-reduction programme in the mid-1980s got off to a good start, with its long-term debt dropping below C\$2bn at the end of 1987. But its purchase of a 50 per cent stake in Falconbridge last year pnshed borrowings up again to a record C\$3.25bn at the end of Septem-

ber 1989. Not all the recent news has been bad for the Canadian mining industry, however. After three years, the Bank of Can-ada began to loosen the rein on domestic interest rates in mid-January, in the process allow-ing the Canadian dollar to fall sharply. The dollar was trading early this week at 83.5 US cents, almost 3 cents below its late-December peak.

Both lower interest rates and a weaker dollar bring substantial benefits to the mining industry. Noranda (which earns more from forest products than from mining) estimated that each percent-age-point decline in interest rates would boost its 1989 earnings by C\$12m, while it would gain C\$19m from each 1 cent fall in the value of the

Some producers are shrugging off the fall in metal prices for the time being, pointing out that they are still well above levels in the early 1980s and crossing fingers that the slow-down in the leading industrial economies will not last long. A consortium of German

Dutch, Austrian and Japanese companies building a big aluminium smelter near Sept-lies. Quehec, is pressing ahaad without interruption to meet the production deadline of spring 1992. An official with the Alouette Aluminium project says construction crews are

working overtime. Likewise, Cominco is confident that zinc prices will bounce back later this year. It expects some hedge buying in the spring ahead of the expiry on June 30 of a labour contract at its smelter at Trail, British Columbia. Neither bas Noranda cut back, except at Fal-conbridge. A company official says that "except for nickel, prices at present levels are still

above our forecasts."

Noranda has the advantage that its base metal mines also produce sizeable quantities of gold and silver, prices for which have moved up lately. The Brunswick zinc mine, for instance, is Noranda's biggest source of zinc, but is also Can-ada's second largest silver pro-

For some years, Israeli pro-ducers have been trying to increase their axport market share for these to diversify production away from stock variaties such as shamouti and atles such as shamout, and navel oranges and white grape-fruit, which fatch a lower return. They still dominate, but Mr Reuven Andoren, Director General of the Citrus Marketing Board, said the export share of the higher value fruits should rise to 30 per cent of should rise to 30 per cent of value this year, compared with eight per cent five years ago.

To date, exports of easy peelers had risen to 1.8m boxes from 1.4m at the same stage

according to the Citrus Market-

Officials at the state's monopoly citrus exporting

agency say avarage weather conditions so far, with three months of this season still remaining, mean overall Israeli

ing Board.

last year, he said. Red and sweetie grapefruit shipments were both up by about a third, to 950,000 and 450,000 boxes respectively. Most dramatic of all, exports of red pomelos qua-drupled to 20,000 boxes.

Officials expect total citrus exports for the season will. reach the target of 29m boxes, earning \$165m, compared with last year's 24.5 m boxes, which earned \$130m.

#### Short crops | Polluter pays' laws planned in Australia elsewhere lift Israeli By Chris Sherwell in Sydney ance between anvironmental

citrus sales AUSTRALIAN

Government wants to alter key pricing arrangements for By Efrat Shvily and Hugh resource use and to impose the "pollnter pays" principle to resolve conflicting issues of resource development and Carnegy in Jerusalem ISRAEL'S CITRUS exports—and especially its bid to win a bigger market share for recently-developed higher-value varieties—have been boosted by bad weather affecting the crops of its main competitors in Florida, Spain and Morocco, environmental protection.

The proposal was revealed yesterday by Mr John Kerin, Minister for Primary Industries and Energy, in a keynote speech opening the annual agricultural and resources out-look conference in Canberra.

Mr Kerin is the Labor Government's most articulate advocate of resource development and critic of the "Greenies," but in the past ha has been at odds with other members of the Cabinet, in members of the Cabinet, in particular Mr Graham Richard-son, the Environment Minister. His latest suggestion follows controversial decisions to delay three major export-oriented projects because of environ-

remaining, mean overall Israeli citrus production should achieve the target of 1.25 m tonnes, with some 40 per cent going for export. This compares with a total of 1.05m tonnes in 1988-89 when the local crop was hit by frost.

From Israel's point of view, a significant effect of the frost damage this season in Florida and heavy rains in Spain and Morocco was the increase in demand it generated in Europe, Israel's main market, for higher value products such as red and sweetle grapefruits, minneolas, pomelos and easy peelers. mental concerns — a paper and pulp mill, a gold, platinum and palladium mine and a mineral sands processing project. The issna is particularly important in Australia because a reduction of the country's chronic balance of payments deficit depends on continued high levels of commodity exports. At the same time the

anvironment movement is gaining increased political influence.

According to Mr Kerin yesterday, the idea of striking a compromise or achieving a bal-

heritage and economic develop-ment is flawed. The country's natural resources were to be exploited, he said, "so that benefits flow through to the entire community and these benefits are maintained through time." Benefits which accrued to

the community by protecting particular areas or developing particular projects had to be greater than the costs incurred by the community, he said. The community was entitled to receive an appropriate return when public resources were exploited by individuals or by

That in turn meant new That in turn meant new issues had to achieve prominence. In particular, the pricing and administrative arrangements for land and water resources nse and for forest and fish resources had to be revised, and the "polintar pays" principla had to be adopted more often.

Efficient and consistent resource taration resimes also

311

resource taxation regimes also had to be introduced, and federal and state government resource initiatives standar-

dised.
Current resource use, he Current resource use, he insisted, should not impair prospects for maintaining and improving the quality of life into the future. Economic growth had to be maintained and the quality of the environment enhanced, but it was not a mithout the control of the contr possible to have one without the other.

of 1.08bn kg in 1990 compared

with an estimated 1.07bn kg in

1989 and an actual 1.05hn kg in

Association has forecast record

domestic output of 720m kg

Meanwhile the Indian Tea

### Caribbean bauxite producers go for growth

Canute James reports on production boosts encouraged by firm demand

demand, Caribbean bauxite producers are increasing ore production and are planning expansion of refining capacity. The treod has been evident in Jamaica, the world's third largest pro-ducer, and will be reflected in

Guyana later this year. Indicative of the region's attempt to make the most of the market is the Jamaican Government's search for a partner in a new refinery project. It recently signed an agreement with Alcan of Canada to study the feasibility of constructing a 1m-tonnes-a-year plant on the island's north coast. The first step is a study of the quantity and quality of

ore in the area.

The plant is likely to cost about \$1bn, with ownership hy Alcan, the Government, and at least ooe other company from Japan, the UK or another European country, according to government officials.

This is a very interesting development, especially as it involves one of the largest aluminium compaoies in the world," said Mr Carlton Davis, executive chairman of the

for the industry. "This is a company with which we bave had an association going back to the 1940s, and it has a good track record in Jamaica. This company has a power base in the industry, and this venture is one of the more promising prospects which we have had in recent times."

The venture with Aican appears more promising than that proposed earlier by Pechi-ney of France for either the expansion of a refinery in Jamaica, or a greenfield plant. Government officials say discussions are cootinuing with the French company.

But while waiting for these plans to bear fruit, the Jamalcan industry is expanding

existing refining capacity. Alumina Partners of Jamaica, owned by Kaiser Aluminum and Hydro Aluminum, Is increasing output at its plant in sonthern Jamaica. The refioery, which has a rated capac-Ity of 1.2m tonnes a year, was reopeoed just over a year ago after a three-year shintdown. It is now producing at an annualised rate of 1m tonnes, but a planned \$12m investment by the owners will lift the annual

COCOA - London FOX

Previous High/Low

There are also plans to expand the capacity of Jamalco, a 800,000-tonnes-ayear refinery owned jointly by Alcoa and the Jamaican Gov-ernment. Rated capacity will initially be lifted to 1m tonnes, with the prospect of doubling this in ten years if the market

remains firm.

Alcan, which operates two refineries on the Island with a combined rated capacity of 1.1m tonnes per year, is currently producing 950,000 tonnes, and aims to raise this

to 1m tonnes a year.
"We produced about 2.1m tonnes of alumina last year, against 1.6m tonnes in 1988," said Mr Davis, "This is signifi-cant because alumina is value-added. Total bauxite production last year was about 9.5m tonnes, against 7.4m tonnes the previous year,"

The prospects of the Jamaican industry were improved last month when the Government reached an agreement with the Soviet Union to supply 1m tonnes of ore a year between 1991 and 1995. This exteods a seven-year cootract for supplying similar amounts annually that expires this year.

In Guyana, where output has averaged 1.5m tonnes for the past five years, the Govern-ment's liberalisation of the conditions for foreign investment has resulted in new projects which promise a significant increase in output. The industry was hit by a sevenweek strike early last year, but recovered to yield L4m tonnes of ore for the year, according to preliminary figures.

The longer-term prospects are hrighter for the Englishspeaking republic in northern South America. Production this year will jump to about 2m tonnes, and reach a level of 4m tonnes a year hy 1992.

Work was started recently by Dayco de Constructiones of Venezuela, which is mining Lam tonnes over three years for the Guyana Mining Enter-prise, a state company, to be sold to interalumina of Venezuela. This will be followed by the start in the second quarter of this year on a joint mining venture between the Government and a subsidiary of Reynolds Metals of the US to produce 2.6m tonnes of ore a year. Further expansion in ore

production is in prospect. Offi-

cials in Georgetown, Guyana's

capital, say the Government is hoping to conclude negotia-tions with the Virgin Islands Alumina Company, owned by Clarandon, a subsidiary of Marc Rich, the commodity broker, to supply ore for a refinery in the US Virgin Islands.

The refinery, which was closed for three years, was bought last year from Martin Marietta of the US, and is to be restarted soon. If the Guyanes conclude a supply contract the industry could have an outlet for another 1.5m tonnes of ore each year. Further expansion is likely following an agree-ment in principle between the governments of Gnyana and the Soviet Union to establish a

joint bauxite mining venture, which should yield about 500,000 tonnes of ore a year. It will be some time, however, before Guyana will be able to re-enter the refining industry. The Government and Hydro Aluminium are discussing the rehabilitation of the country's refinery, a 300,000 tonnes per year facility which was closed in 1982. Govern-ment officials say a restart of the plant would cost about

will be difficult to obtain.

**US MARKETS** 

**WORLD COMMODITIES PRICES** 

#### Record tea output forecast

THE UNITED Planter's Association of Southern India has forecast a world tea output record for 1990 of 2.53bn kg, based on information from var-ious producing countries, reports Reuter from Cooncor.

The association estimates the calendar crop at 2.43bn kg, including China, the Soviet Union, Argentina and Turkey, for which final 1989 figures are not yet available.

In 1988 world production was 2.44bn kg.
UPASI said 1990 production
would be aided by fair weather
conditions and good prices.

this year, assuming an average growth rate and favourable weather. The 1989 crop is estimated at 686m kg. Adverse weather reduced 1968 output to 674m

The Association, noting a 10 gram per capita growth rate in domestic consumption, projected 1990 consumption at Siom kg, leaving a surplus of 210m kg for export, the same amount as exported in 1989.

SELENIUM: European free

#### WEEKLY METALS PRICES

enabling profits to be ploughed back into the crop. It has fore-cast global export availability

Prices from Metal Bulletin (last week's in brackets).
ANTIMONY: European free market 99.6 per cent, \$ per tonne, in warehouse, 1,690-1,750

(1,670-1,700).

3.90-4.30 (same). CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.70-5.00

(4.80-5.10) COBALT: European free market, 99.5 per cent, 3 per lb, in warehouse, 7.55-7.85 (7.60-

7.95).
MERCURY: European free BISMUTH: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 235-245 (same). MOLYBDENUM: European

free market, drummed molyb-dic oxide, \$ per lb Mo, in ware-

house, 2.63-2.70 (2.55-2.65).

market, min 99.5 per cent, 5 per lb, in warehouse, 5.50-6.10. TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO, cif, 41-59 (same).
VANADIUM: European free market, min. 98 per cent. \$ a lb

VO, cif. 220-240 (2.10-2.30). URANIUM: exchange value, \$ per lb, UO, 9.20 (same).

### LONDON MARKETS

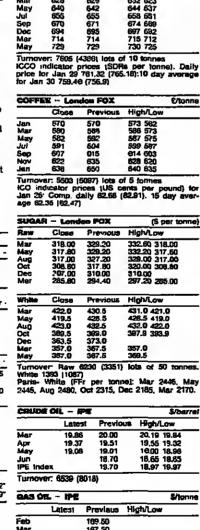
BASE metal prices declined across the copper closed at a 17-month low of tradad down to £1,315 a tonne in tha morning, but the dollar price of \$2.180 remained some \$30 abova the lows reached last weak. Analysis said tha market is still finding chart support around the \$2,150 to \$2,160-a-tonne area, but solld chart resistance no seems to have built up in the \$2,200 to \$2,230 range. Bearish sentiment largely reflects concern over unsattled world equity markets and a lack of fresh fundamental supportive factors. Cash aluminium closed at a contract low of \$1,420 a tonne. Active trading at the lows may have reflected some consumer demand attracted by cheapar prices. But chartists ar looking for a dip to around \$1,400 for

SPOT MARKETS		
Crude off (per barral FOB)		+ or -
Dubat Brent Blend W.T.I. (1 pm est)	\$18.75-6.852 519.67-9.93z \$22.42-2.46z	-0.50
Off products  NWE prompt delivery per to	onne CIF)	+ or ·
Premium Gasoline Gas Ori Heavy Fuel Ori Naphiha	\$221-223 \$189-170 \$87-89 \$203-205	+2 -1 +2
Petroleum Argus Estimates		
Other  Gold (per troy oz)  Silver (per troy oz)  Paliadium (per troy oz)  Paliadium (per troy oz)	\$410 \$20: \$514.25 \$136.15	+ 0.25 -4 + 0.90 -0.50
Aluminium (Iroe market) Copper (US Producer) Lead (US Producer) Nickel (Iroe market) Tin (Kusia Lumpur market) Tin (New York) Zinc (US Prime Western)	\$1430 103 <sup>5</sup> g·104e 40 5c 290c 17.50r 292c 65 <sup>1</sup> g c	-35 -10 -0.01 -12
Cattle (live welght)† Sheep Idoad welght)† Pigs Ilivo weight)†	110 14p 208.23p 84.68p	+0.78" + 0.32" + 2.89"
Landon dally sugar (raw) London dally sugar (white) Tate and Lyle expert price		+0,4 +7,5 -0.5
Barley (English feed) Maize (US Na 3 yellow) Wheat (US Dark Northern)	£112.5w £128.5w £130	-5
Rubber (spot)♥ Rubber (Mar)♥ Rubber (Apr)♥ Rubber (KL RSS No 1 Feb)	52.50p 55.75p 56.75p 227.5m	+ 0.26 + 0.25 + 1.0
Coconut oit (Philippines)5 Palm Oil (Malaysian)5 Copra (Philippines)5 Sousbaans (I)51	\$427.5x \$285w \$275 C160	

c-cants/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Mest Cammiesian avorage fatstock prices. \* change from a week

73.75c

+0.05



169.50 167.50 101.50 160.00 157.50 158.50 162.50 JUTE Februery/March c and I Dundee STC \$580, BWC \$580, BTD \$540, BWD \$540; c and 1 Antwerp BTC \$560, BWC \$550, BTO \$525, Liverpool- Oper and shipment sales for the week ended January 26 amounted to 499 tonnes against 471 transe in the provious week. Fair operations occurred with dealings in West African and Turkish growths.

2 10 %

(Prices supplied by Amalgamated Metal Trading)

AM Official Kerb close Open Interest £/torme LONDON METAL EXCHANGE Ring turnover 15,400 tonne m, 99.7% purity (\$ per tonnel Cash 1418-22 3 months 1441-2 1443-6 1466-7 1431/1429 1465/1440 1429-30 1451-2 2181 lots Copper, Grade A (£ per tonne) Ring turnover 36,825 tonne Cash 1300-2 3 months 1316-7 1304/1301 1328/1315 1302-4 1321-2 Ring turnover 5,175 tonne Lead (£ per tonne Cash 415-7 3 months 409-10 421-3 414.5-5.0 419/417 414/408 416-7 410-11 lots Ring turnover 515 tonne Nicted (5 per tonne) Cash 6050-100 3 months 5910-25 58 lots Tin (\$ per tonne) Ring turnover 785 tonne Ring turnover 0,150 torne 1279-80 Ring turnover 1,550 tonne lota 0 months: 1.6376 0 months: 1,6159 old (fine oz) 5 price £ equivalent

g fix 417.00 on fix 418.15

p/fine oz

minium (99.7%)

1900 1950 2000

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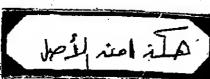
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Cash 3 month	1260- s 1278-	3 1 80 1	290-6 285-90	1282/1280	1279-81 1282-3	
_	er tonne					
Cash March 3		55 1	285-95 250-60		1284-6 1250-60	
SPOT: 1.	eing £/\$ .6845	rete: 5	months: 1.65	885	0 months:	1.6376
		-				
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Feb	145.0	144.0	144,0 144.	<u> </u>	Gold (fine oz)	
Apr	200.3	201.0	200.2 198.	6	Close Opening	418-
Mary	223.0	226.0	222.7 221.	0	Morning fix	417.0
Turnove	r 191  10	7) lots of 4	lo tonnes.		Alternoon fix Day's high Day's low	418.1 4103 417-
SOYAB	EAN MU	AL - SFE		£/tonpe		
	Close	Previous	High/Low		Coins	S pri
Apr	133.00	132.50	133.00		Mapieleaf Britannia	427-
Turnove	r 50 {105	) lots of 20	tonnes.		US Eagle	421-4
					Angel	427-4
					Krugerrand New Sov.	410 <sup>1</sup> 99-10
PERCH		RES - RF		dex point	Old Sov.	99-10
	Close	Previous	High/Low		Noble Plat	518.5
lan Feb	1646 1012	1645 1015	1646 1646		Silver fix	p/fire
<b>l</b> pr	1644	1648	1014 1606 1646 1643		Spot	_
Jul Oct	1392 1493	1387	1390 1385		3 months	309.0 320.1
)FI	1644	1648	1496 1485 1644 1644		edinem 0	331.7
UTTOVO	266 (19	3)			12 months	354.7
					TRADED OPT	10HS
2RAINS	- FFE			£/tonne	Auminium (9)	9.7%)
Wheat	Close	Previous	High/Low		Strike price \$	tonn
Mar	115,30	114.40	115.25 114	.50	1350	
day	119.35	118.40	119.35 118	.55	1450	
lun Sep	121,15 108.00		121.15 120 106.00	.50	1550	
iov	108.85		108.85		Copper (Grad	le A)
					2100	
					2200 2300	
lariey	Close	Previous	High/Low			
Mar May	108.75 11 <b>0.7</b> 5	105.30 110.40			Coffee	
Uznover	. Wheat	264 (132),	Barley 0 (42	D-	550	
Turnove	lots of	100 tonnes			600 650	
					Coccoa	
P105 -	BFE	(Ċ	ash Settlem	ent) p/kg	600	_
	Close	Previous	High/Low		650	
eb	110.0	109.5			700	
pr	114.0	113.5	113.0		Brent Criscie	_
kırı Nug	114.0 114.0	113.0 115.0	113.5			
)ct	115.0	114.5		_	1900 1950	

**New York** GOLD 100 troy oz.; \$/troy oz. 268 ¼ -246 ¾ 250 ¾ -251 ¼ 248,543 427-432 427-432 427-432 427-432 410-12-419-12 98-101 99-101 518.50-626.70 263 1<sub>2</sub> -256 1<sub>3</sub> 253 1<sub>2</sub> -256 1<sub>3</sub> 253 1<sub>2</sub> -256 1<sub>3</sub> 253 1<sub>2</sub> -256 1<sub>3</sub> 247 -249 US cts equiv Calls 55 101 163 131 21 79 59 44 122 Mar May Mar May 4 26 73 Mar May Mar May 57 29 13 Mar Apr Mar Apr 100 66 33

Зро	0	420.11	0	
Feb	417.9	419.2	421.5	416.8
Mar	420.8	422.0	420.8	420.8
фг	423.7	425.1	427.0	422.7
Jun	429.0	430.8	432.0	428.5
Aug	435.8	436.1	435.8	434.6
Oct	445.0	441.5	0 447.3	443.0
Dec Feb	452.0	448.7 452.1	452.0	451.5
Apr	0	457.A	0	0
-	•		•	•
ZAT	NUM 50-1	ray az: \$/tra	N OZ.	
	Close	Previous	High/Lo	
eb	0	0	0	0
Mar	0	0	0	. 0
VDI	520.0 524.5	523.9 530.4	522.5 528.5	517.6 524.1
lui Oct	533.5	538.4	533.5	532.0
Jen Jen	0	542.9	0	0
Apr	ŏ	550.e	ŏ	ŏ
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HLVE		oy oz, centr		
	Close	Previous	High/Lo	w
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tul 💮	540.0	641.7	543.5	540.0
Sep	549.3	550.3	552.5	550.6
		-		
ec lec	561.0	550.3 562.2	565.0	550.0
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len Aar Aoy	561.0 584.4 572.0 580.9 GRADE C	566,0 574,3 582,3 OPPER 25.0 Previous	0 575.0 0 00 lbs; or High/Lo	560.0 0 575.0 0
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Acy Seb Acy Seb	561.0 564.4 572.0 580.8 GRADE C Close 96.1S 95.65 95.30	565,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35	0 575.0 0 00 lbs; or High/Lo 97.05 97.30 95.00	66.10 95.50 98.10 95.50 95.50
Acy NGH Seb Acy Sepr May	561.0 564.4 572.0 580.9 GRADE C Close 96.1S 95.65 95.30 95.15	566,0 574,3 582,3 OPPER 25,0 Previous 197,45 96,75 96,35 95,15	0 575.0 0 00 lbs; or High/Lo 97.05 97.30 95.60	96.10 95.50 96.10 95.50 95.50
Acy Mar Moy Mar Mar Mar May un	561.0 584.4 572.0 580.8 GRADE C Close 96.15 95.65 95.30 95.30 94.85	566.0 574.3 582.3 OPPER 25.0 Previous 197.45 96.75 96.35 95.15 95.50	0 575.0 0 00 lbs; ed High/Lo 97.05 97.30 95.50 95.50	96.10 95.50 96.10 95.50 95.50 95.50
en Mar Moy RGH Seb Mar Sepr May un	561.0 564.4 572.0 580.8 GRADE C Close 96.1S 95.65 95.30 95.15 94.25	566,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 95,15 95,50 95,35	0 575.0 0 00 lbs; co High/Lo 97.05 97.30 95.00 95.50 95.50 95.50	95.10 95.50 96.10 95.50 95.50 95.50 95.10 95.20 94.00
en Mar Moy MGH Seb Mar Ser May un un	561.0 564.4 572.0 580.8 GRADE C Close 96.1S 95.65 95.30 95.15 94.25	566,0 574,3 582,3 OPPER 25,0 Previous 197,45 96,35 96,35 95,15 95,50 95,35 96,00	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.00 95.50 95.50 96.80	95.10 95.50 96.10 95.50 95.50 95.50 95.10 95.20 94.00
en der Aoy TGH eb der ipr lay un ul	561.0 564.4 572.0 580.8 GRADE C Close 96.1S 95.85 95.30 95.15 94.85 94.85 94.85 93.35	566,0 574,3 582,3 OPPER 25,0 Previous 197,45 96,75 96,35 95,50 95,50 95,50 94,55	0 575.0 0 00 lbs; or High/Lo 97.05 97.30 95.00 96.80 95.50 95.30 96.00 94.30	96.10 95.10 96.10 95.90 96.10 95.90 96.10 95.90 96.10 95.90 96.00 93.30
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en der Aoy TGH eb der ipr lay un ul	561.0 564.4 572.0 580.8 GRADE C Close 96.1S 95.85 95.30 95.15 94.85 94.85 94.85 93.35	566,0 574,3 582,3 OPPER 25,0 Previous 197,45 96,75 96,35 95,50 95,50 95,50 94,55	0 575.0 0 00 lbs; or High/Lo 97.05 97.30 95.00 96.80 95.50 95.30 96.00 94.30	96.10 95.10 96.10 95.90 96.10 95.90 96.10 95.90 96.10 95.90 96.00 93.30
en der Aoy Beb der ipr day un ul iep	561.0 594.4 572.0 580.9 6RADE C Close 96.1S 95.85 95.85 94.85 94.25 93.85 94.25 93.35 93.05	566,0 574.3 582.3 OPPER 25.0 Previous 197,45 96,75 96,35 96,35 95,15 95,50 94,15	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.50 95.50 95.50 94.50 94.50	96.10 95.50 96.10 95.50 95.50 95.10 95.00 95.00 95.00 94.00 94.00
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en der doy feb der der dey un un un dep det let	561.0 564.0 572.0 580.8 GRADE C Close 96.15 95.85 95.37 96.15 94.85 94.85 94.25 93.35 93.05 92.75	568,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 96,35 95,15 95,35 96,00 94,55 94,15 93,80	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.50 95.50 95.50 94.30 94.50 94.50	96.10 95.10 96.10 95.50 95.10 95.90 95.10 95.00 94.00 94.00 94.50
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len Har Hoy Har	561.0 584.4 572.0 580.9 GRADE C Close 96.1S 95.85 95.35 94.25 93.25 93.25 93.25 93.275 E OEL (Lig	568,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 95,35 95,35 96,50 94,56 94,15 94,15 93,80 Previous 22,60 22,01	0 575.0 0 0 156; or 167.0 0 156; or 179.0 5 97.30 95.50 95.50 95.50 94.5	96.10 95.10 95.10 95.90 95.90 95.90 95.90 94.00 94.00 94.50 94.50
en dar Aoy  BOH  BOH  BOY  BOY  BOY  BOY  BOY  BOY	561.0 584.0 572.0 580.9 GRADE C Close 96.1S 95.85 95.85 94.25 94.25 94.25 93.85 93.85 93.05 92.75 E Oil. (Light Latest 22.56 21.89 21.49	568,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 96,35 96,00 94,55 94,15 93,80 Previous 22,80 22,01 21,56	0 575.0 0 100 lbs; or 119gh/Lo 97.05 97.30 95.50 95.50 94.30 94.50 94.50 94.50 94.50 94.50 94.50 94.50	96.10 95.50 96.10 95.50 95.50 95.60 95.00 94.00 94.50 94.50 94.50
en Aar Aav Aar Aav Aar Aar Aav Aar	561.0 584.9 580.9 GRADE C Close 96.15 95.30 95.15 94.25 94.25 93.35 94.25 93.35 94.25 93.2	568,0 574,3 582,3 OPPPER 25.0 Previous 197,45 96,75 96,35 95,15 95,50 94,56 94,56 94,15 93,80 Previous 22,80 22,01 21,18	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.00 95.50 95.50 94.30 94.50	96.10 95.50 96.10 95.50 95.90 95.90 94.50 94.50 94.50 94.50 94.50
en der Aoy ROM ROW	561.0 584.4 572.0 580.9 Close 96.1S 95.83 95.35 94.25 93.05 92.75 E OE. (Lig 21.58 21.49 21.49 21.49 20.80	566,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 95,15 95,15 95,35 94,15 93,80 Previous 22,80 22,01 21,56 21,18 20,84	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.50 95.50 95.50 94.50	95.10 95.10 95.10 95.10 95.90 95.90 95.90 94.00 94.00 94.50 94.50 94.50 94.50 94.50
len der Akoy milder Akoy milde	561.0 584.0 572.0 580.9 GRADE C Clove 96.1S 95.85 96.15 94.25 94.25 94.25 93.85 93.85 93.05 92.75 E Oil. (Light Laborator) 22.56 21.49 21.12 20.80 0	568,0 574,3 582,3 Previous 197,45 96,75 96,35 95,35 95,35 96,00 94,55 94,15 93,80 Previous 22,01 21,56 21,18 20,84 20,54	0 575.0 0 100 lbs; or High/Lo 97.05 97.30 95.00 95.50 95.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50	96.10 95.50 96.10 95.50 95.50 95.60 95.00 94.00 94.00 94.50 94.50
en der Aloy BOH Berner	561.0 584.0 572.0 580.9 GRADE C Close 96.1S 95.30 95.15 94.85 94.25 93.35 94.25 93.35 94.25 93.35 94.25 93.35 92.75 E Off. (L/g) Lathest 22.58 21.89 21.49 21.49 20.20 0 0 0 0 0 0 0 0 0 0 0 0 0	566,0 574,3 582,3 Previous 197,45 96,75 96,35 95,15 95,50 94,56 94,56 94,15 93,80 Previous 22,80 22,01 21,18 20,84 20,84 20,54 20,30	0 575.0 0 0 575.0 0 0 0 156; or 166, or 17, 0 0 0 156; or 17, 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	96.10 95.50 96.10 95.50 95.90 95.90 94.00 94.00 94.50 94.50 94.50 94.50 94.50 94.50
en der Aloy Bolden Berthalt Be	561.0 584.4 572.0 580.9 66.1S 95.85 96.1S 95.85 94.25 93.85 93.05 92.75 E Oil. (Lig Label 22.56 21.49 21.49 21.19 20.80 0 20.23 20.07	566,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 96,35 96,15 96,50 94,15 94,15 93,80 Previous 22,80 22,80 21,18 20,54 20,54 20,54 20,54 20,54 20,54 20,54 20,54	0 575.0 0 0 100 lbs: on High/Lo 97.05 97.30 95.50 95.50 95.50 94.5	95.10 95.10 95.10 95.10 95.90 95.90 95.90 94.00 94.00 94.50
en Har Aloy Bar	561.0 584.8 572.0 580.9 GRADE C Close 96.1S 95.85 96.35 94.25	568,0 574,3 582,3 Previous 197,45 96,35 96,35 96,35 96,50 94,55 94,15 93,80 Previous 22,00 22,01 21,56 21,18 20,54 20,30 22,00 22,01 21,56 21,18 20,54 20,30 20,00 20	0 575.0 0 100 lbs; or High/Lo 97.05 98.00 98.50 96.50 94.50	96.10 96.10 95.50 95.50 95.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50
en der Aloy Bolden Berthalt Be	561.0 584.4 572.0 580.9 66.1S 95.85 96.1S 95.85 94.25 93.85 93.05 92.75 E Oil. (Lig Label 22.56 21.49 21.49 21.19 20.80 0 20.23 20.07	566,0 574,3 582,3 OPPER 25.0 Previous 197,45 96,75 96,35 96,35 96,15 96,50 94,15 94,15 93,80 Previous 22,80 22,80 21,18 20,54 20,54 20,54 20,54 20,54 20,54 20,54 20,54	0 575.0 0 0 100 lbs: on High/Lo 97.05 97.30 95.50 95.50 95.50 94.5	95.10 95.10 95.10 95.10 95.90 95.90 95.90 94.00 94.00 94.50
en Har Aloy Bar	561.0 584.8 572.0 580.9 GRADE C Close 96.1S 95.85 96.35 94.25	568,0 574,3 582,3 Previous 197,45 96,35 96,35 96,35 96,50 94,55 94,15 93,80 Previous 22,00 22,01 21,56 21,18 20,54 20,30 22,00 22,01 21,56 21,18 20,54 20,30 20,00 20	0 575.0 0 100 lbs; or High/Lo 97.05 98.00 98.50 96.50 94.50	96.10 96.10 95.50 95.50 95.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50 94.50

REUTERS (Bees: September 10 1931 = 100) Jan 30 Jan 29 mnth ago yr ago 1773,1 1781.7 1818.1 1975.9 DOW JONES (Base; Dec. 01 1974 = 100) Jan 28 Jan 26 mnth ago yr ago 127.08 127.40

Chicago HEATING OR. 42,000 US galls, cents/US galls High/Low 6170 5970 5700 5500 5360 5310 5380 5488 0 6111 5922 5671 5472 5342 5312 5362 5442 5502 5562 SOYABEAN OIL 60,000 lbs; cents/lb Close Previous High/Low 10.07 10.46 19.71 19.60 18.61 10.63 19.95 20.00 20.10 19.29 19.66 19.80 19.96 20.00 20.18 20.15 20.00 COCOA 10 tonnes \$/lonnes Close Previous High/Los 976 968 963 100 1 1023 1041 1053 0 SOYABEAN MEAL 100 tons; Siton High/Low 167.6 170.9 173.7 175.2 177.1 178.5 181.8 183.0 0 167.2 170.2 173.1 175.1 176.8 178.3 101.0 182.5 COFFEE "C" 37,500/be; cents/lbs: Close SUGAR WORLD "11" 112,000 lbs; cents/lbs WHEAT 5,000 bu min; cents/80th-bush 376/0 363/0 347/4 353/6 366/0 372/4 378/6 365/6 350/0 .355/4 367/4 373/4 COTTON 50,000; cents/lbs LIVE CATILE 40,000 (bs; cents/lbs Close Previous High/Low 66.00 67.30 67.70 65.75 64.65 65.10 64.66 65.15 65.60 65.05 63.62 64.75 65.95 High/Lo 76.85 72.32 71.17 71.90 72.60 ORANGE JUICE 15,000 lbs; cents/lbs Close LIVE HOGS 30,000 lb; cents/fbs Close Previous 49.15 47.20 52.57 82.85 \$1.12 46.60 47.00 47.12 40.32 47 12 52.55 52.57 51.10 46.45 46.85 SOYABEANS 5,000 but min; cents/60th bushel . PORK BELLIES 40,000 lbs; cents/lb Previous High/Low Previous 563/4 575/4 587/4 582/4 591/6 597/4 907/0 617/0 High/Lo 52.10 52.42 53.47 53.45 51.22 54.55 55.80 0



#### **TECHNOLOGY**

m and share THE TELEPHONE allowed us to transcend space. Voice mess-aging allows us to transcend time. You can he in Hong Kong, Tokyo, Moscow — it does not matter. You can still be firing messages off to one another."

be firing messages off to one another.

Scott Jones, the 29-year-old chairman and chief scientist of Boston Technology, is singing the praises of voice messaging — a fechnology in which his four-year-old US company has become a world leader.

His claims may sound over-amhitious, but they become more credible when you think of the number of times you have falled to get

times you have falled to get through to people because either their switchboard takes ages to answer, or they are not at their desk, or they are engaged. About three-quarters of all phone calls in the US do not hit the mark for one of these reasons, according to IT consultants Dataquest.

And remember the frustra-

And remember the instra-tion caused when a message is taken down maccurately. Most people have grown so used to this phenomenon that they rarely leave a message that contains more than their name

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contains more than their name and phone number. Anything longer is likely to get garbled.

The joy of voice messaging — often called voice mail — is that you can leave a message as long as you like for friends, colleagues and business associates in the knowledge that it will get through without any mistakes. It is also easier than reading somebody a letter or sending somebody a letter or facsimile - you do not have to go through the laborious process of putting pen to paper -and has the advantage of con-

Hugo Dixon explains a system that enables telephone companies to offer voice mail

### Message of hope for frustrated callers

veying intonation.

Anybody who calls the US regularly will be familiar with voice mail. You phone a comvoice mail. You phone a company and hear a recording like:
"Good morning, this is Pinkerton & Pinkerton. If you know the extension of the party you are calling, enter it now. For a list of extensions, press 1; for a list of departments, press 2; for a list of departments, press 2, for a human operator, press 0 or stay on the line."

So you press 3456. "Hi, this is Jenny," the machine answers.

"I'm out of the effice until Thursday morning, but I will be checking my mail box for messages every two hours so please leave a message. If you need to speak to somebody now, press 4567 to speak to my

Almost all such services are currently provided on an currently provided on an office-by-office basis over voice messaging systems attached to a company's switchboard. Boston Technology has gone a stage further by developing a system large enough to be used by telephona operators to provide services to the public.

So far six of America's

So far, six of America's seven "Baby Bell" telephone operating companies, have cho-sen Boston Technology's CO

Access system. The group is starting to market the system in Europe, although it may be slow to take off because many phones still have dials instead of buttons.

Jones says his company's system opens np markets which are not served by the emaller single company systems. The most attractive is the residential market, with 83m phones installed in homes throughout the US. Jones pre-dicts that 3m customers a year will convert to the service. But isn't voice messaging nothing more than a fancy

answering machine?

Jones agrees, but says it is precisely the fancy features that give it a competitive advantage. Customers pay a monthly subscription, cur-rently set at \$5, and do not need to buy their own piece of equipment; every message is automatically marked with the date and time; and messages can be left while people are engaged, not simply when they

are out. Each member of a family can have his or her voice mailbox. So you can call up the home number and listen to messages

We are sorry nobody is here. To leave a message for Francine, press 1; for Bobby, press 2; for Linda, press 3; or press 0 if your message is intended for the family as a whole."

A feature that may be particularly neeftly in an office in

a reature that may be particularly useful in an office is group messaging. This would allow a sales director, for example, to give members of the sales force a pep talk every morning. The message would only have to be recorded once. Voice messaging is not, how-

Voice messaging is not, however, without its problems. In some quarters, it has become unpopular because of a pheenon known as "voice mail iail". This occurs when people call a company, only to be routed around a maze of com-puter options when they really want to talk to a human.
Part of the problem is that
companies which install voice

messaging often use it as an excuse to cut the number of human operators they employ. Another is that the software is sometimes badly designed, so that callers are faced with too many options.

Jones says automated operators are not suitable in all situations. Corporations, he says, may wish to continue to use

human operators to answer calls at their head offices. though the human operators

synthesis

recognition

FAX

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operators are more useful after office hours, when the switch-board would not otherwise be manned, or as a back-up to overworked staff. Another problem is that peo-ple may not look into their mailboxes regularly. So for the system to be effective, calling in needs to become habitual and users should make it clear

could then connect callers to

voice mailboxes. Automated

when they are likely to retrieve their messages. Boston Technology's system consists of three main ele-

(VPUs); a high-speed digital switch; and a master control unit. Each VPU, essentially a computer on which the messages are stored, has 24 ports. The system can be configured to support up to 64 VPUs, giving 1,536 ports or 7,040 hours of

MASTER

CONTROL

HIGH-SPEED DIGITAL:

SWITCH

Videotex

Voice

storage.
The VPUs are connected to the telephone network via the switch. This directs callers who wish to leave or retrieve messages to the relevant VPIIs. The control unit contains information about where messages for particular subscribers are held and is responsible for communicating details on bill-ing, call routing and so forth to the telephone network. It is

also connected directly to the VPUs via an internal communications network. This allows VPUs to transfer messages to each other so that a caller can retrieve a message from a different VPU from the one on which it was left.
The CO Access System uses

messaging system

Source: Boston Technology

Call routing, billing etc.

**Future** 

technologies

Architecture of a voice

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standard industry huilding hlocks: 386 microprocessors; ethernet local area networks; and T1 telecommunications links, the US standard. Boston Technology has created the system's architecture and soft-ware. Jones says that, in future, it will be easy to add fax, electronic mail and videotex processing units.

instance, that faxes could be stored in the system and retrieved at a time and place convenient to the recipient. People would be able to receive at home faxes originally sent to their offices. And by incorporating character recognition and speech synthesis devices, the system would even be able

to dictate a fax over the phone.

Another application would be to use this sort of system as a gateway to databases provided by outside service companies. For example, airlines could link their databases con-taining times of flights, prices and seet availability to CO Access. Customers could then interrogate the system and

It would, of course, be possible for service companies to install their own dedicated systems to allow customers to talk to their databases some already do this. Simi-larly, the telephone operators could huild separate systems to store and forward fax, electronic mail and videotex.

However, Jones argues that it will be cheaper to run all these services from a common platform. integration would also mean that customers would be able to get access to all their fax, electronic mail, videotex and voice messages hy calling a single number. None of Boston Technology's

customers have yet committed themselves to this heady future and, indeed, the com-pany is still in the process of developing the applications. But Jones says that, when he talks to the Baby Bells about

### BT and the Government fling a digital lifeline to Highland businesses

Sassenach tourists returning from the Highlands of Scotland often enthuse over its unspoilt beauty. To businesses, however, the area's remoteness is less enchanting. As the fax machine produces yet another illegible document because of poor telephone links, at least one concern has admitted that it contemplated leaving the "Top Country" for smo-kier surroundings.

In response, British Telecom and the Highlands and Islands Develop-ment Board (HIDB), a UK Government body, are spending £16.25m on a programme that will make the region one of only a handful with an all-digital network.

The Highlands and Islands Initia-tive involves the installation, by 1992, of optical fibre cables and disital telephone exchanges in places as remote as Orkney, Shetland and

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the Western Isles. Sir Robert Cowan, chairman of the HIOB which is contributing £4.9m, says the initiative is "the most important single investment the board has made in the economic future of the Highlands and Islands."

The area will be one of the first six in the UK to have access to the integrated services digital network (ISDN). This runs to the I420 stan-dard, suitable for linking to the Continent, Japan and the US. ISDN gives subscribers two high-capacity 64 kbit/sec data channels. Information can be sent 60 times as fast as

the same cost per minute.

The HIDB hopes improved communications will help to persuade companies to move part of their operations to the Highlands. John Lough, the board's telecommunica-

tions consultant on secondment from BT, says another goal is to encourage companies to start-up in such sectors as software and elec-tronic publishing.

Yet he recalls how tough it was

to push the idea through many layers of hureancracy. There was resistance to giving BT, a priva-tised company, government cash for something that it would eventually do anyway. Sceptics said the existing BT net-

work was adequate for straightfor-ward voice calls, if a little eccentric. Remote exchanges were powered by waterwheels and solar cells, and there were still telephone boxes of the antique "push button A" type that would baffle a Londoner used to microprocessor-con-trolled card phones.

Eventually the HIDB struck a deal with BT that included a claw-

back if the extra traffic carried by the improved links started to make the investment self-financing. BT is

the investment self-financing. BT is now installing System X digital telephone exchange equipment in 43 places in the Highlands. It has also established the Net-work Services Agency (NSA), a local subsidiary which will help companies to exploit the improved links by offering such services as links by offering such services as databases or electronic mail. The NSA rents ont processing

power and disk space on its three DEC minicomputers so that companies do not need to make a big initial investment themselves Richard Ritty, managing director, says the NSA's "one-stop" phi-

losophy means that a company could easily set up a complex sys-tem with public and private dataes and several types of access, without having to co-ordinate many suppliers. Companies do not need to be based in the Highlands, or even in the UK, to use the NSA. The only service installed on the NSA computers at present is Rurtel, an electronic conferencing and mail system for, say, researchers scattered across Europe. It is funded by the Arkleton Trust,

John Bryden, the programme director based in Nethy Bridge, reports that when Burtel was estab-lished, it was expected that there would be 60 users. The pilot system has grown to 150. Organisations subscribing to Rurtel can set up electronic conferences, restricting access as they wish.

rural development.

The NSA will soon launch a mail. conferencing and data exchange service. Although initially mar-keted in Scotland, it will eventually be offered across the UK.

An example of the way communications technology can boost local business is provided by Hi-Line, a holiday hooking service. Ned Wayne, managing director, says he once considered moving the company from Dingwall, a small town 15 miles north west of Inverness, to Aberdeen because of the poor tele-phone links, Interim improvements

and the promise of the ISDN link persuaded him to stay. Hi-Line helped more than 19,000 people to plan their holidays in the region in the 12 months to September. Customers ring in to discuss their holiday. A single payment can include car hire, ferry tickets, ski passes and accommodation selected from thousands of local guest houses and hotels, many too

small to use computers themselves.

Hi-Line plans to link its database to Sabre or one of the other airline reservation systems. Then customers walking into a travel agent in Inverness, Florida, would be able to set np a personalised holiday in the original Inverness by having the travel clerk link into Hi-Line's com-

puter 4,500 miles away.
When announcing the initiative,
Malcolm Rifkind, Secretary of State for Scotland, said he expected at least 350 jobs to be created. BT has already decided to recruit 100 directory enquiry staff in Inverness to handle calls routed from London. It is hoped the target will easily be beaten if local businesses make full use of the opportunities created by having an all-digital network earlier than many other areas of

Gren Manuel

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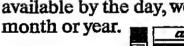
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### Bond markets set tone for equities

TRENDS IN other leading world stock markets continued to cast a spell yesterday over a London equity sector which spent much of the day moving spent much or the day moving within very ustrow trading limits. Only in late deals, when Wall Street was falling in early trading, the UK equities begin to love them.

The market managed to hold on to its recent trading range, although an early attempt to move above the Pootsie 2,300 mark proved unsuccessful, and a 5 point gain in the Index was whittled away and then erased in fairly thin trading.

Traders believed that a mod-

est selling programme was operated later in the session.

trading move by a large UK fund ahead of the expiration today of the current Footsie option series and was regarded as "moderately bearish" for the "strongly supported by bid speculation which is likely to persist." Marketmakers said

likely.

The etrength of sterling rubbed e little of the shine off internationally quoted stocks other than Wellcome. ICI slipped 16 to 1078p, Glaro shed 12 to 720p, Smithkline Beecham lost 5 to 551p and Unilever essed a represent p 687p.

months.
There was also speculation

significance.
Another aviation stock, AIM, was marked down 58 to 217p, after reporting interims 38 per cent lower at £1.3m and warning that profits for the year would be below last year's. BZW cut its profits forecast from £5.3m to £2.7m. The company cited the industrial action st Boeing and British Aero-space, and delays in the MD 11 aeroplane, as reasons for its disappointing performance. The property division, which at one point was expected to

live up to expectations. Activity in TSB, where 9,1 shares changed hands eclipsed even that of Royal Bank, as the market reacted positively to suggestions that TSB may be considering the sale of its Tar-get unit trust/financial services group. Specialists agreed that bility, but said that TSB would probably only get half of the £227m it had paid for the bushness. But they also said the

underlying stock market.
At the close, the FT-SE Index was a net 6.8 points off at 2,322.0, partly in reflection of the 9 point fall then showing on the Dow Industrial Average.

Seen volume of 492 im shares Account Dealing Dates "First Deciliogue: Jan 15 Jan 29 Feb 12 Feb 8 Feb 25 Feb 23 Feb.D Seaq volume of 492.1m shares, Feb 19 May 5" New Sent dealings may take place from \$100 am two business days earlier perhaps sparked off when the Footsie option market was hit by the largest trade eo far recorded the 37,000 option deal represented a computer driven trading more by

1200

1150

1100

compared with 420 4m on Mon-day, was believed to include a substantial proportion of inter-dealer trades. The big invest-ment funds kept out of the London market as they waited for Wall Street's response to President Bush's State of the Union message to the US Congress today. However, there was no immediate response in London to comments on the US economy from Mr Alan Green-span, chief of the US Federal

FT-A Ali-Share Index

Reserve Board, to a US Congressional committee. The uncertainty which has crept into the UK equity market this week was blamed by the strategy team at County NatWest, the UK investment banking bouse, on developments in world bond markets. Commenting that "even the US long bond is now cracking", Mr John Reynolda of County stressed that "bonds are now the key to any unlocking of the

equity market".

On the domestic front, the latest survey of business opin-ion from the Confederation of British Industries was regarded as confirming market perceptions that high interest

GRE shares at the end of last

year, widely hinted to be

Italy's Generali, had returned to the market.

further gains after e buy note issued by Kleinwort Benson.

Mr Peter Hyde et Kleinwort expects further outperform-

ance from the water shares, saying high yields and guaran-teed dividend growth make

them ettractive relative to the UK market. "There will be no

BP held at 334p, despite big interest in both the traded

options, where husiness equivalent to 6.3m shares was trans-

acted, and the underlying mar-

ket where 7.4m shares changed

LASMO moved ahead, clos-

ing 12 higher at 610p, driven np by talk of imminent positive drilling news from the North

Sea and, more importantly,

dealers said, by the re-emer-

gence of long-term investment

buying. There were also vague suggestions that LASMO could

be lining up a big acquisition which could involve fund rais-

The sale by Next of its West German ladies fashion subsid-

iary Biba, for £47.6m, helped

the company's shares. They spent much of the day 3 better

but closed only a penny higher

at 91p. W.H. Smith "A" shares

weakened quickly ahead of

interims today, Analysts at UBS Phillips & Drew sounded a cautious note in the wake of

disappointing figures on Mon-day from John Menzies,

another chain of newsagents. "Menzies gave a clear warning

at the agm, yet the stock fell

heavily when the figures came out," said UBS. The securities house nevertheless stack with

Fears that more bad news on

US trading from USM-quoted

Sock Shop was imminent saw the shares slide 11 to 590.

Court reiterated their positive

sentiments on Sainsbury and Tesco after a visit to the for-

mer on Monday. The shares

advanced against the wider

market's trend, climbing 5 to 264p and a penny to 200p respectively. Unigate contin-ued to suffer from Monday's downgradings from et least

three securities houses. The shares fell 5 to 325p. Among otherwise dull brew-

ers, speculation on possible imminent moves from Elders IXL moved Scottish and New-

castle and Grand Metropolitan. The former climbed 5 to

330p on renewed talk that

Elders' 29.9 per cent stake in the company was being placed,

while the latter fell 5 to 617p on the story that the much touted pubs-for-breweries swap

its forecast of £38m.

rose £12 to £1635.

The water stocks enjoyed

rates in the UK are having increasing effect on UK manu-facturing, although the refer-ences to increased export confidence backed up the welcome signs of improvement in the British trade deficit.

Against the generally lack-lustre market, UK bank stocks continued to hold firm despite some worries over leveraged buyout exposures. The sector is regarded as a strongly defen-sive area in a market where industrial and consumer-driven equities are under a cloud. But there was little sign in the London equity market of the speculative toterest which returned to the sector in the

with Elders was about to come to take place. Interims profits barely ahead at £2.75m from Goodhead left

the shares 4 off at 146p. Interims from Partridge Fine Arts were 38 per cent higher at £3.2m and pushed the shares 3 better to 125p. The absence of news on a failed placing of 2½m United

Newspapers shares on Monday did nothing to dissuade dealers from the belief that the whole profit downgradings, economic factors are of minor importance, and bid speculation will keep the sector buoyant," says Mr Hyde. The Water Package block still overbung the mar-ket. United fell 18 to 406p. Pearson continued firm for the second day running after some underperformance last week. The shares advanced 11 to 737p as a slim 185,000 changed hands. One trader explained: "No one wants to be on the offer - if 1 sold a hundred [thousand] I'd never see them again." He added that e

buyer on the inter-dealer brok-

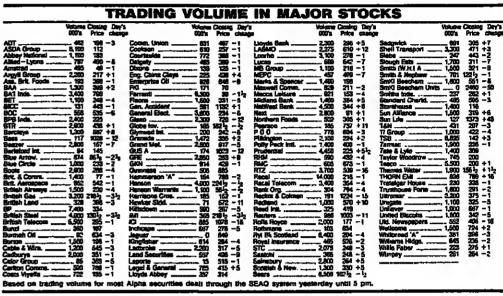
ing service accounted for about 30 per cent of the turnover. Further thoughts on Blue Arrow's figures and relocation plans, revealed on Monday, took 2½ off the shares to 86½p. Beazer were marked down 9 to 155p after the announcement that the Australian company Girvan, in which Beazer holds a 14.5% stake, had gone into receivership. A full provision of £29m will be made to cover the stake in the next

annual accounts. The shares railied by the close to 158p. The auctioneer Christies International gained 10 to 309p, before finishing at 305p. The recent good results announced by Sotheby's and its subsequent share price rally, with Sotbeby's "A" shares up 50 at 1500p, improved sentiment towards auctioneers. Mr Neil Blackley of James

Over Fifteen Years

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Capel said that the pre-season sales in furniture, silverware and sculpture had been successful, and had given the market some reassurance that Christies would continue last year's trend in 1990.

TACE, the rubber products manufacturer, slipped 10 to 143p, rallying to reach 148p by the end of the day. It gave a profits warning on Monday.

Secondary properties 52W Secondary properties saw continued speculative interest in Laing Properties, the possi-ble target of a bid by private company Chelsfield. The shares rose 17 to 597p at one point, and ended the day at 595p. The shares had risen 19 on Monday, The stock is trading on a discount to net asset value, and Smith New Court

pnt a value of 730p a share if

the company were to be valued

in terms of its assets. Early buying of Percy Bilton continued to fuel vague bid speculation. The shares gained 18 to 443p. Marketmakers said that the stock was tightly traded, and that it needed to do some "catching up" having lagged behind the market. Of the property leaders,

Slough Estates was down 7 at 311p, having touched 309 % p. on large volume for the stock of 1.7m. This was attributed by one analyst to an early switch out of Slough into Percy Bilton. One dealer said recent firmness in larger indus-trial property companies had been a matter of fashion had led to an element of profit-taking. Other property leaders were also weak. Land Securities dropped 9 to 496p, MEPC shed 7 to 499p, and British

Land declined 3 to 398p A two-way pull developed in the Racal twins where heavy and persistent US buying was more than offset by selling from European brokers. Racal Electronic ended e busy session e shade off at 218p after turnover of 14m, while Racal Telecom eased 4 to 354p on turnover of 3.4m. Specialists said at least two roadshows were planned for the Racal stocks in the next few weeks, one by a US broking house and another by a European-owned

Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 23

broking firm.

#### Wellcome firm in late trade

News that Retrovir, Wellcome's anti-Aids drug, had been given a green light by the advisory committee to the US Food and Drug Administration came moments after the offi-cial close of trading in the Lon-don stock market. At fliat non stock market. At that point the Wellcome price was 2 better on the day at 724p. After the Seaq mandatory quotation period had ended, Wellcome shares rose to 728p bid and then to 785p bid. The flurry was quickly over, however, and by the time marketmakers sbut for the night, the midprice was back at around 724p.

Mr Jonathan de Pass and Mr Steve Plag, BZW's pharmaceuticals team, said the announce ment was positive, albeit expected, "All the good news is now in the share price," said Mr Plag, "which is overvalued in the short term." He remained positive in the longer

term. Mr James Culverwell at Hoare Govett and Mr Paul Woodhouse at Smith New Court were less equivocal.

This is all Wellcome could have hoped for," said Mr Woodhouse. The next indicator of the fortunes of Retrovir would be the numbers of prescriptions in three to four months time, Both he and Mr Culver-well said-the stock should continue to be well-supported.

#### Royal Bank ruffled

Royal Bank of Scotland were given a rough ride in the market after press reports on the bank's exposure to highly leveraged transactions — market largen for the lever aged/management buyouts that were in vogue during 1988

and early 1989. Analysts reduced their profmost forecasts for the year to end-September being cut to £320m, to £350m, from around £350m to £390m.

Royal Bank shares, which have been supported in recent months by persistent specula-tion of takeover bids for the bank, fell back to 201p early yesterday, but quickly rallied to their overnight level of 208p. before slipping afresh and clos-ing a net. 4 off at 204p. Turnover reached 6.5m shares, well up on usual levels.

The mid-afternoon rally in the share price came as Royal issued a statement saying it olans "no extensive new provision against its exposure to highly leveraged buyouts." At Flemings Research, banks' analyst Mr Hugh Pye said be thought the stock was

the shares had gone past the downgrade stage and that any perceived weakness would only make a takeover bid more

cham lost 5 to 551p and Uni-lever eased a penny to 667p.

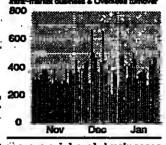
British Aerospace opened strongly and were 10 up et 553p at one point, but later faded with the market to 542p. The market was pleased by the announcement of plans for a joint venture in guided missile systems with Thomson-CSF of France, although Mr Nick Cunningham of Laing & Cruickshank believed the market had over-reacted, since the move over-reacted, since the move had been likely for several

about stake-building by Daim-ler-Benz, which was fuelled by press comment in the US. However, many analysts considered the 'possibility of Daimler building a hostile stake to be remote, and played down its

bring in a profit, also failed to

bank may well put some of its

**Equity Shares Traded** Tumover by volume (million)



more peripheral businesses, such as Swan National, up for sale. TSB shares ended the day 3 higher at 142p, having touched 144p earlier in the ses-

Standard Chartered finally encountered some determined profit-taking after the break-up bid stories of recent weeks, closing 3 off at 595p.

The big-four banks encoun-

tered persistent demand ahead of the preliminary reporting season which gets underway towards the end of next month. Lloyds, where talk Canadian and New Zealand asset sales persists, rose 5 to 296p. Barclays put on 8 to 567p.

The insurance areas of the market provided plenty of fea-tures. In lifes Prudential added 51/2 at 225p on turnover of 4.5m. Sun Life jumped 48 more to a year's high of 1375p with deal-ers convinced that a takeover bid for the group from 26 per cent shareholder UAP could be on the cards "before Sun Life makes the expected rights issue," as one put it.

higher at 253p, provided the lion's share of the business in composites with turnover of believe that the big buyer of

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#### APPOINTMENTS

#### Standard Chartered personnel chief

■ Mr Martin Fish has been appointed head of group personnel at STANDARD CHARTERED from February 1. He will be responsible for the group's human resources world-wide. Mr Fish joined the group from Corporate Renewal Associates, and succeeds Dr Henry Fabian who has been appointed to lead e number of special projects across the has been appointed senior credit approval officer. He joins from a similar post in Mellon Bank.

Mr Chris Gilbey, manager of industry affairs for British Airways, has been appointed to the UNIVERSAL AIR TRAVEL PLAN board of Air Travel Card, the business travel payment system. He will represent the UK airline. world's first charge card. Air.

Mr David Heslop has been appointed chief executive of MAZDA CARS (UK), Tunbridge Wells. He was sales director, succeeding Mr John Ebenezer who remains chairman.

Mr Charles A. Good. managing director of J.S. Gadd & Co, has been appointed a director of SHOPRITE GROUP, isle of Man. He was financial adviser to the company.

Mr Duncan Mayall has been appointed financial controller at WILLIAMS GRAND PRIX ENGINEERING, Didcot, e Formula 1 racing team.

BRADSTOCK GROUP has made the following appointments: Mr Donald J. McKay as a director of Insurance Brokers; and Mrs Carol A.P. Herring as a director of Hospital and Health Insurance Services.

Mr Ernie Chilton has been appointed vice president tanfahm at AVX, Aldershot, maker of leaded and chip

■ Mr Barry Lewis has been appointed solicitor to the CO-OPERATIVE INSURANCE SOCIETY, Manchester ceeding Mr W.L. Corlett who becomes a consultant to the company. Mr Lewis was deputy solicitor, and until last November the Society's compliance officer.

■ Mr Paul Hoggarth has been appointed operations director of Dillons the Bookstore, a subsidiary of PENTOS. He was operations director of Sherratt & Hughes, and Waterstones.

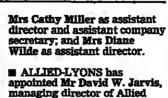
Mr Brian Goswell, e senior partner with Healey & Baker,



Mr Michael Cornisb (above) has been appointed network development director from March at V.A.G. (UNITED KINGDOM), Milton Keynes, importer of Volkswagen and Audi vehicles. He was general manager, desk top software manager, desk top sonward group, Rank Kerox Europe, but had previously worked in the motor industry et Ford and British Leyland Interna-

and Mr Richard Morris. chairman of Benkox, have been appointed non-executive directors of WESTMINGS SCAFFOLDING GROUP.

EDINBURGH FUND MANAGERS has made the following appointments from February 1: Mr Peter Arthur as joint company secretary;



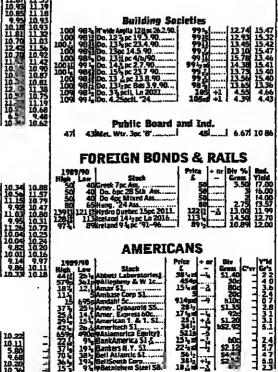
Distillers, as a director and to the management board of Hiram Walker Allied-Vintners. ■ Mr Richard Martin has been appointed a director of CAPITAL HOUSE ASSET MANAGEMENT, part of the Royal Bank of Scotland Group.

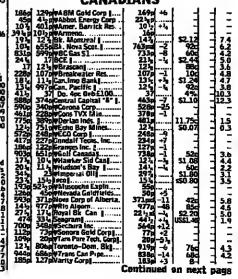
He was co-founder and director of Hodgson Martin, and will take up his new post in May. ■ Mr Mark Jeffers, Ms Alison Montague, and Mr George Murdoch have been promoted to associate director of CLP

THE PROPERTY FINANCE BROKERS. Mr Michael A. Ziff (pictured) has been appointed managing director of STYLO, Leeds, a shoe retailing group. He was managing director of main subsidiary

Stylo Barratt Shoes. His father Mr L Arnold Ziff is group chairman. Mr Rov

appointed managing d of Stylo Matchmakers International - golf and riding wear - and will also be responsible for the company's New York subsidiary.





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34 ET LIN	VIT TRUST INFORMATION SERVICE	FINANCIAL TIMES WEDNESDAY JANUARY 31 1990  Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help deak on 01-925-2128
Bid Offer + or Yield Price Price - Gross Price Price - Gross Price Price - Gross Price - Gros	riete Bid Sifter + or Yield Bid Other + or Yield Sign Priot Priot - Gress Priot Prio	Offer + 10 Yield Mid Offer + or Tield Date Price Price Price Crit
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	FINANCIAL TIMES WEDNESDAY JANUARY 31 1990		33.
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1	Solution Growth	Assignment   105.6   111.2   -	106.2
nt'i	Ediahurgh Fund Magrs PLC Property Acc. 532.0 560.0 941.0 -1.0 -	City of Edinburgh Life Assurance   12.7   123.1	132 40 2 - Personal Parsine (Acc) 2271.8 46.3 - Matheness Med Global 102.8 108.2 - 0.1 - 107.6 40.2 - 107.7
	American Ins 31 128.3 131.8 -9.4 1.70 European Acc. 20.6 28.1 -1 140.5 140.8 42.2 197 Managed Las 31 143.5 140.8 42.2 197 Managed Con 371.0 411.0 -0.4 -	13.0   19.6   40.1   19.6	129.3 -11 - UH Equity Account (253.3 364.7 -0.5) - Deposit FA - 121.0 121.0 10.1 -
1.	Filedity Investment Services Ltd.		135.0 +0.4 - Fund intermed Act
44	Richart Fleening Asset Mingroit Ltdl Am Europa Jan 20. 1204.99 410.55 -17.04 2.10 Pen F. J. Den. Lept. 20. 221.1 40.1 -4	HA Apparient 13.9 0.2 - Grestiam Unit Assurance Ltd Equity Pen Series 2. 716.8	10   10   10   10   10   10   10   10
	Pecific Engine, Ins. 31 (598 8) 101.09	Carried Series   104 9 110 5   -0.2   - Carrie	237.9 Pers. Eachly Acc
	Free land Special 2 C110.75 113.22 1.96 Pen. Arm. Eq. Cop. 141.9 147.4 -1.0 -	Manager French 306.1 40.5 +0.1 Pen UH Small Cos. 229.5 240.9 -0.3 - Global Growth 111.4 117.4 -0.7 - UK Equity Pen Ser 3 640.2 Equity Final 103.2 171.8 -0.2 Pen European 145.9 133.4 +0.1 - Incomplete Incomp	729 7 Pens, Fised int. Acr. 338.3 335.1 40.9 - Property Acr. 318.5 121.6 40.6 - 859.8 Pens, Property Acr. 329.5 204.3 Pens, Property Acr. 329.5 Pens, Pens, Property Acr. 329.5 Pens, P
	Energy Frank	Richard Reporter Fuel 249.5 26.28 -1.5 - Post Fined Inference 1.043 157.1 +0.7 - Post Index Index State 1.15.2 150.2 150.2 +0.7 - Rabertan Growth - 98.50 103.8 -0.3 - The LAS Group Post Index	49-1 - Pent. Deposit Acc
.	Angus-Angus Jan 22 2187.0 2971.3 2.00 Pm. Enre Gas 32.9 34.7 40.2 - European Re. Jan 22 17.2 123.5 2.00 Pm. Enre Gas 32.9 34.7 40.1 - European Re. Jan 22 134.9 131.8 2.00 Pm. Enre Gas 366.8 41.3 40.3 - European Re. Jan 22 134.9 131.8 2.00 Pm. S. Azz 366.8 41.3 40.3 - European Re. Jan 22 134.1 570.0 1 16.9 Pm. S. Cab 346.7 340.3 40.1 - European Re. Jan 22 134.1 570.0 1 16.9 Pm. S. Cab 346.7 340.3 40.1 - European Re. Jan 22 134.1 14.2 14.2 14.2 14.2 14.2 14.2 14.2 1	Femion Sel	252.1
4	Recer. Jan JR.   203.9   205.0ml     7.56   Pen. Mortinge Acc.   193.5   203.7   40.3	Pens Concernation May 1   191.7   -2.1   - Simple Graph May 1   191.7   -2.1	10-10   10-1
	Hemierson Unit Trust Management Ltd Pea Eas Acc. 31.3 33.0 Pea Hemiers Management Ltd Pea Acc Ltd 90.0 31.6 -0.2 Pea Acc Ltd 90.0 31.6 -0.3 Pea Acc Ltd 90.0 31.6 -0.3 Pea Acc Ltd 90.0 31.6 -0.3 Pea Fact Cap. 31.9 33.6 -0.1 Pea Fact Cap. 31.9 33.6 -0.1 Pea Fact Cap. 31.9 32.6 -0.1 Pea Fact Cap.	International Fard. 1872 197.1 -11 Position Performance. 125.3 151.9 -0.2 - int Growth 192.3 140.5 -0.4 - Far East 114.0 For other prices plant taleshare 0908 690808 Performance. 125.3 129.8 -0.1 - int Growth 192.3 140.5 -0.6 - Special Statutions. 125.3 140.5 - Special Sta	1973 -0.2 - Pets Acc Ind. 1945 205.0 -1.5 - Headerson Mayof Profile. 116.5 122.6 -1.9 -120.0 +0.4 - Pets Acc Debest 1. 166.5 176.0 - Do Accum. 142.2 149.7 -1.5 - Pets Acc Debest 1. 166.5 176.0 - Do Accum. 142.2 149.7 -1.5 - Pets Acc Debest 1. 197.5 -2.7 - Peterson Mayof Profile. 102.1 107.5 -2.7 -
	Exact Investors Ltd ## Pen Exp Act	Colorage metabolic Passetty Passetty Passet	175.0 -0.4 - For some prices general lines (0800 521506) 258.3 -0.7 -
. E	Second Fronts   Second Front	Naming Paul, Bright   10.5   15.5   10.5	177 4 +0.1 - 40 Foundair Street, Manchester M2 288 061 837 9361 Do Account. 195.0 13-0 -1.5 -125-2 -0.5 - 205.1 10.9 10.5 -0.6 - 10.6 0 11.3 7 -0.6 - 10.5 11.3 - 0.9 Fired interest. 55.0 101.0 - 0 Account. 195.3 140.5 +1.5 - 125.0 -0.7 - 10.0 10.2 10.8 -
	Mining Sai 12 C192 308 0 0.9 Pea Fax Lac. 37.7 39.1 40.2 - orthogolds Jan 12 C197 5 179.5 1.6 Pea Ears Acc. 37.7 39.1 40.2 - orthogolds Jan 12 C197 5 179.5 1.6 40.2 - orthogolds Jan 12 C197 2 29.9 1 0.2 C197 2	Property. 209.2 216.1 - Henting 118.2 124.5 - Managed 118.2 124.5 - Managed 100.2   Managed 118.2 124.5 - Managed 100.2   Mana	231 -0.11 Equity
1 2	ment Anthonything Martinal Invest. TSL-		25 1 +0.1 - Manages
E	suby 0cc 31 917.75 5.77	Spatia East Aska Fund. 153.5 193.5 1	### ### ### ### ### ### ### ### ### ##
	### 8. 6 Securities Ltd: 90.00 90.00 40.111.00   90.40   1	December 11   10.1	Equity Set 1 & 2   036,4   0/2     - Equity   102.7   108.1   40.3   -
	CDM   Ltd   UH   Canity(2)   123.0	Carlot   C	207 E _ 101 _ investment 307 1   207.41
	largem Greafell Unit Trust Managers Ltb   international(2)	Horth Assertions 341.5 149.5 1-10 Horth Assertions 190.0 149.5 1-14 Property 350.5 1 Horth Assertions 57 Jac. 285.2 285.0 190.5 190.	331.0 -1.5 Pession Fund Priess 350.9 International 502.5 307.0 -0.5 - 331.0 -1.5 Meanyled Init. 350.9 Japan Smilt Gr. 334.0 565.0 - 344.0 306.1 502.7 42.1 - 345.0 565.0 - 345.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 565.0 - 345.0 - 345.0 565.0 - 345.0 - 3
	SSmall Co. less 50 [158.3 143.5]		2443 -0.7 - Property mr
	ENTRY JOHNSON (129.1 136.0) *0.1 -	Fluid Int. Fd	123.5 +0.3 - Do Acces 320.6 - Token 533.8 614.5 +0.8 -
A. E.	International Profits   45,1   46,9ml   -1,8   2.31   Fixed International   12,1   155,4   15,4   1,5	Property Fd.   224,9   226,5	137
M Si	900 Sale Jan 13 41 45.0 4 45 45 5 6 6 6 6 6 6 6 6 6 6 6 6 6 6 6	For East Fd. 321.5 382.5 - Preservy 207.2 278.1 - Choice With Pric's an 1.00 5 114.2 - Pres instructions as 3.7.2 Special Str. 1247.7 26.7 - 1.2 Choice Managed 1.5 156.6 - 1.2 - Hernterum Para Acc. 101.8 Choice Equity 1.5 3 158.2 - 4.8 Perpetual Pera Acc. 26.6 Options First Res. 1.00 5 116.2 122.2 Choice Sparity 1.5 3 158.2 - 4.8 Perpetual Pera Acc. 26.6 Options First Res. 116.2 122.2 Choices First R	Marsayd Se 2
	ew Court Property Find managers	Cierical Medical Investments Group  American Road, High Wycombre Rames	101.00   -1.1
Si de	THE CO'S Jan Z	Performance Pusition   122.9   129.4   UK Equition   255.0   168.4   40.7   Choice Indo-Liu   123.8   33.5   Source Carical   233.3   With-Profits Glogics   122.9   129.4   UK Equition   264.2   493.2   493.2   493.2   493.2   493.3   493	224.51 Product the MI Comm
	5 Armin . 1974 . 1274 .	international	90.2 -2.8   90 Wimpole 3, Landon W7 M7 7DA   90.1 -90.1   90.1   40.1   90.2
0 0	o facciniii - 877.0 886.6 40.19 93 Australia Accini - 101.6 191.2 40.1 - 876.8 87 indica dee 27. 877.6 875.8 3.44 15 16 16 16 16 16 16 16 16 16 16 16 16 16	Proporty 133,7 195,9 40,1 - 561 Deposit. 217.0 218.4 40,3 - Freedom Parific. 95.0 100.0 - 501. Eggs Acc. 215.5 Europain. 183,2 192,9 40,5 - Pous Reservic. 100.9 111.4 - 0.2 - Freedom Parific. 95.0 100.0 - Proporty Acc. 226.5 Europain. 183,2 192,9 40,5 - Pous Balancord for 529,8 957,6 4.0 - Freedom Parific. 95.0 100.0 - High Yield Acc. 265.3 Horn Acc. 265.3 Long Acc. 265.3 Lon	10.5   -0.4   Mit Girt-Cogs Fei Pers.   -0.2   -0
De De	Size to high time (1975) 462   -1.657   4.6	South East Asia	125.21 -1.21 - Mr UK Pees

#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

### Dollar up as yen loses ground

THE DOLLAR and sterling were firm yesterday and there was active cross trading between the D-Mark and Japanese yen, with toe yen weaker

Covering of short positions gave the dollar support in a featureless market. Traders were looking for guidance from testimooy hefore a Congressio-oai committee hy Mr Alan Greenspan, chairman of the US Federal Reserve Board, hut there was little reaction to his

comments. Mr Greenspan said the receot slowdown in the ecooomy is likely to be temporary and that the risk of a recession oas declined. He added that inflation has stabilised, but at too high a level. He also touched oo the subject of Japanese investment, suggesting that money is shifting back to

Tokyo. An indication of the Japa-oese attitude to US jovestmeots will come from the quarterly refunding auctions held by the US Treasury. If fears prove correct that Japanese demand for US Government paper will be modest this could have a depressing influence on

At the close in London the US curreocy had advanced to a technical resistance point of Y144.00 against the yen, from

#### E IN NEW YORK Litest

3 monst 12 mon	ths	2.61 · 2 9.10 · 9	.00pm	0.85-0.84p 2.62-2.60p 9.20-9.10p
		ens and disc RLIN		iy to the US dol
			Jan.3	0 Previous
8.30 9.00 10.00 11.00 Noon 1.00 2.00 3.00 4.60	am am am am pm pm pm		88.7 88 9 89 8 88.9 88.9 88.9 88 9	88.5 88.5 88.5 88.4 88.4 88.5 88.5

#### CURRENCY RATES

Jan.30	Bank rate	Special* Drawleg Rights	European i Currency Unit
Sterling # U.S Doltar Capadian 5 Austrian Sch. Belgian Franc. Banish Krone Deutsche Mark Keth Gauldes French Franc Italian Liza Laponese Yeo Spanish Peseta Swedi St Krona Sweds Franc Greek Orasta Inish Pourt	17 12.29 617 1017 10 00 7.93 11 13 17 4 8 9 17 6 70 8 17 8 17 8 17 8 17 8 17 8 17 8 17 8 17	1.26162 1.33083 1.58182 15.6719 46.5491 8.61446 2.22475 2.50529 7.56178 1655.57 190.309 8.61047 144.205 N/A 1.97.229 208.41390	1.38445 1.21.492 1.44531 42.6469 7.88243 2.03864 2.29779 6.92750 1516.53 174.670 7.88425 131.795 7.44323 1.80538 190.577 107.69865

#### CURRENCY MOVEMENTS

Jan.30	Bank of England Index	Guaranty Quarges
Sterling U.S Dollar Consolian Dollar Austrian Schilling Belgan Franc Davish Krone Deutsche Murk Swiss Franc Guider Franc Lira	88.9 66.8 101.9 109.9 110.0 109.1 118.8 109.1 113.6 100.3 129.6	-72.7 -11.3 -0.7 +12.1 -3.3 +3.5 +25.2 +17.5 +16.6 -12.5 -18.9 +61.3

Jan.30	£	5
Argentina		1775 00 - 1825,00
Australia	2.2020 - 2.2040	1.3060 - 1.3070
Grazil	28.2790 - 28.4530	16.6030 - 16.6870
Finland		3.9425 - 3.9525
Greece	261.45 - 265.95	165.40 - 168.00
Hong Kong .	13 1525 - 13 1660	7.8100-7.8120
krap	115 40°	69.30°
Korea(Sth) .	1143 60 - 1162 10	682,90 - 688,30
Kowalt	0.4393 - 0 4900	0.2905 - 0.2910
Luxembourg		35.10 - 35.20
Malaysia	4.5365 - 4.5485	2 6970 - 2,6990
Mexico	4537.00 - 4556.00	2695 00 - 2705.00
N Zealand.		1.6715 - 1.6745
Saudi Ar. 👡	6.3140 - 6.3185	3 7500 - 3 7510
Singapore	3.1330-3.1400	1.8595 - 1.8615
S. Af (Cm)		2.5460 - 2.5475
5. Al (Fn)	5.6090 - 5.7043	3.3330 - 3.3895
7a/-ean	44,00 - 44,10	26 15 - 26.20
U.A.E	6.1825 - 6.1875	3.6720 - 3.6730

**MONEY MARKETS** 

THE DOWNWARD drift in

Loodoo interest rates contin-ued yesterday as sterling main-

tained a firm tone on the for-

eign exchanges. The threat of higher UK bank base rates

appears to have receded, after last Friday's reasonably

encouraging December trade figures, but dealers said it is still too early to look for a cut

in rates. On the other hand, it

was pointed out that if the

pound continues to improve lt

UK clearing bank base lending rate

15 per cent

from October 5

markets to pre-empt a change.

Three-month sterling

interbank was quoted at

15 15 15 per cent, against 15 15 on Monday, while 12 mooth eased to 15 14% per

Better sentiment was

reflected in a firmer opening

for short sterling futures on

Liffe. March delivery opened at 85.08 and touched a peak of 85.12. It failed to follow

through to attack resistance at

85.15 however, weakening with

a downturn in US bonds, to

close at the day's low of 85.04,

compared with \$5.05 on

Credit conditions were

comfortable in London. The

Bank of England initially

cent from 15 1415.

in the nature of

Rates drift lower

Y143.15 on Monday. The dollar also rose to DM1.6805 from DM1.6795; to SFr1.4895 from SFr1.4855; and to FFr5.7100 from FFr5.7050. Oo Bank of England figures the dollar's index advanced to 66.8 from

Sterling remained underpinoed by high Londoo interest rates at a time when rates supporting other high yielding currencies - the Australian and Canadian dollars - have shown signs of falling. Perceptions of a slowly improving economic picture and political stability in the UK are also encouraging

funds into sterling.

The pound gained 45 points to \$1.6830. It also rose to DM2.8275 from DM2.8200; to Y242.25 from Y240.25; to SFr2.5075 from SFr2.4925; and to FFr9.6100 from FFr9.5750.

Sterling's index rose 0.4 to 88.9. The D-Mark was bought against the yen in Tokyo and this trend cootinued in Europe

and early New York trading. Dealers said the D-Mark may have reached a near-term low. and the yen remains vulnera-ble ahead of oext mooth's elections to the Japanese lower house. This pushed the D-Mark up to Y85.70 at the London close, from Y85.23 on Monday, amid suggestions that there may he an early attack on

The market took a cautious view of comments made in Moscow, by Soviet President Mikhail Gorbachev and Mr Hans Modrow, East German Prime Minister, appearing to favour German reunification.

Trading among currencies in the European Monetary System was steady. The French franc eased slightly against the D-Mark. The guilder showed virtually oo movement against German currency, in spite a swing to a FI 800m Dutch trade surplus in November from a deficit of Fl 600m in October.

E	JRO-CI	PREN	CY INT	EREST	RATES	
Jan 30	Short term	7 Days notice	Que Mosth	Three Months	Sir Months	One Year
Sterling US Dollar Lon Dollar D. Guitder Sw Franc Senschuser Fr. Franc Lahan Lra 3. Fr. (Franc B. Fr. (Con) Fen D. Krone Letan Sying	14 3-14 4 8 3-8 4 12 3-12 3- 8 3-8 3- 7 14-7 3- 10 3-10 3- 10 3-10 3- 10 3-10 3- 10 3-10 3- 12 3-12 8- 8 4-8 1-	14 2-14% 8 -8 -124 13-124 8 -8 -9 -9 -9 -9 -9 -9 -9 -13 -13 -13 -13 -13 -13 -13 -13 -13 -13	15,6-15 81-82 12 4-12 83-82 94-92 8-75 10 4-105 103-105 103-105 103-105 82-84	15.4-15.6 81-81-12.1 81-81-91-91-91-91-91-91-91-91-91-91-91-91-91	15,4-15 8' 84,8' 12,6'-11,11 8' 8' 8' 8' 8' 8' 8' 8' 8' 8' 8' 8' 11,11' 12,11'	14%-14 113-11 9-3 91-4 84-8 114-11 104-10 101-10 113-11 84-8

POU	ND SPOT	FORWAR	D AGAIR	NST :	THE POU	ND
Jan.30	Day's Spread	Close	One mouth	92.	Titrze montis	93 93
nada therlands . Igium mnark iand	1.6785 - 1.6890 1.9960 - 2.0100 3.175 - 3.194 58.80 - 59.25 10.8815 - 10.944 1.0590 - 1.0895 2.814 - 2.83	1.6825 · 1.6835 2.0050 - 2.0060 3.184 · 3.194 59 10 · 59.20 10.894 · 10.904 1.0675 · 1.0685 2.824 - 2.83	0.85-0.83cpm 0.34-0.25cpm 15-15-cpm 21-15cpm 25-1-7-cppm 0.30-0.25ppm 15-1-1-prom	5.99 1.80 5.65 4.06 2.41 3.09 6.37	2.61-2.58pm 1.10-0 44pm 43 <sub>1</sub> -43 <sub>1</sub> pm 65-56pm 73 <sub>2</sub> -53 <sub>1</sub> pm 0.90-0 80pm 43 <sub>1</sub> -43 <sub>1</sub> pm	6.17 2.03 5.65 4.13 2.48 3.13 6.37
rtogal	247.05 - 248.75 182.10 - 182.90 2097 - 21044 10.89 - 10.934 9.564 - 9.62 10.27 - 10.304	247.60 248.60 182.50 182.80 21021 21031 10.90 10.91 9.601 9.611 10.27 10.28 2414 2424	par-35cill; 10-1cpm 4-2lirepm 3-21-orepm 31 <sub>4</sub> -3cpm 1/A 15 <sub>4</sub> -11-ypm	0.85 0.36 1.71 3.03 3.82 N/A 7.43	90-18bdis 86-76pm 12-8pm 4-6pm 43 <sub>4</sub> -43 <sub>1</sub> pm N/A 45 <sub>8</sub> -43 <sub>8</sub> pm	1.77 1.90 3.12 1.90 N/A 7.43

Commercial 58.95-59.05	rates taken towards Six-month forward	the and of London to dollar 5.05-5,00cpm	rading, Belgian rat 12 Months 9,10-9	e is core 1,00cpm,	cruble francs. Fina	ocial franc
DOLL	AR SPOT	FORWAR	D AGAI	IST	THE DOL	LAR
Jan.30	Day's spread	Clase	One arouth	% p.a.	Three	94
UK: Irelandr Canada Netherlands Belgnum Demnark W Sermany Portugal		1.6825 1.6835 1.5750 1.5760 1.1900 - 1.1910 1.8930 - 1.8940 35 10 35,20 6.475 - 6.48 1.6800 - 1.6810 147,40 - 147,50	0.85-0.83cpm 0.45-0.40cpm 0.41-0.44cdis 0.05-0.08cdis 5:00-8.00cdis 1.90-2.10credis 0.05-0.03cfpm 75-90cdis	5.99 5.24 4.29 4.21 5.70 6.71	2.61-2.58pm 1.39-1.29pm 1.20-1.24ds 0.16-0.21ds 16.00-21.00dis 5.85-6.35ds 0.05-0.01pm	6.17 3.40 4.10 -0.39 -2.11 -3.76
Spain	108.00 - 108.80	108.25 - 108.35 12494 - 12494	50-60cdfs	-6.08	290-340:05 172-182:65	-8.55 -6.52

CU	12115 - 1.2200	1.2150 1.2160	0.26-0.2-tcom	2.47	0.85-0.80pm	2
ommercial : remiums an	rates taken towards the discounts apply to to the cast franc 35.00-35.	end of London trailing the US dollar and not	g.† LIK, ireland and to the individual	ECU are of correctly. I	urted in US currence Selgian rate is for o	, Form

	central rates	Currency amounts against Eco Jan 30	% change from central rate	% change adjusted for divergence	Disagence Vimit %
eigian Franc	42 1679 7.79845 2.04446 6.85684 2.30359 0.763159 1529.70 132.889	42,6464 7,88243 2,03864 6,92750 2,29770 0,769865 1536,53 131,795	+1.14 +1.08 -0.28 +1.03 -0.25 +0.88 -0.86 -0.82	+1.14 +1.08 +1.03 +1.03 -0.25 +0.88 -0.82	±1.5508 ±1.6453 ±1.1762 ±1.3618 ±1.5272 ±1.6689 ±1.5162 ±4.2705

forecast a flat credit position.

This was revised to a surplus of £100m at noon and back to flat in the afternoon. The

authorities did oot operate in

In New York the Federal

Reserve drained liquidity from

the hanking system, via two-day matched sale and

repurchase agreements.
In Frankfurt call money

continued to fall as hanks

remained well supplied with

liquidity towards the month-end. Banks' reserve

holdings averaged D61hn for the first 28 days of January, and there should he no

problem in meeting the provisional average

requirement for the month of

The call rate declined to 7.10

from 7.50 per cent. This was

regarded as purely technical

and not a sign of easier credit

policy by the Bundesbank. There remains a fear in the

market that the Bundeshank

may tighten its monetary

stance, but the central hank council meets on Thursday and is not expected to take any

A two-tranche securities

repurchase agreement, for 28

and 62-day funds, was offered

hy the Bundesbank yesterday. Bids must be made today, but the result of the tender will not

be announced until tomorrow

when two facilities totalling

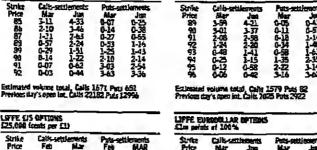
fresh monetary initiatives.

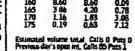
the market.

DM60.3hn.

Jan 30	٤	5	DN	Yes	F Fr.	S Fr.	H FL	Lira	C\$	O Fr.
E	1	1.683	2.828	242.3	9.61	2.508	3.188	2103	2.006	99.15
S	0.594		1.680	144.0	5.710	1.490	1.894	1250	1.192	35.15
OM	0.354 4.127	0.595 6.946	11.67	85.68 1000.	3.398 39.66	0.887 10.35	1.127	743.6 8679	0.709 8.279	20,92 244.1
F Fr.	1:0A1	1.751	2.943	252.1	10.	2.610	诩	2188	2.087	61 55
5 Fr.	0.399	0.671	1.128	96.61	3.832	1		838.5	0.500	23.58
H FJ.	0.314	0.528	0.887	76.00	3.014	0.787	1516	659.7	0.629	18 55
Lim	0.475	0.800	1.345	115.2	4.570	1.193		1000,	0.954	28 13
CS 8 Fr.	0.499 1.691	0.839	1.410	120.8 409.6	4.791 16.25	1.250	1.589	1048 3555	3391	29,49 100.

### LIFFE LANG COLT FUTURES OFTIONS CS0,000 64% of 100%





			_	١:
VT.	EREST	RATES		3
th	Three Months	Sir Months	One Year	1
15 22 15 15 15 15 15 15 15 15 15 15 15 15 15	15.7-15.6 81-84 12.7-12.1 81-84 93-91 11-10 13-10 10-10 10-10 10-10 11-1	15.4-15 8 - 8 - 8 - 12 - 12 - 12 - 12 - 12 - 12	14:14:14:14:14:14:14:14:14:14:14:14:14:1	142 - 141

		-24 -24	-74 -74		- 4	
Lang term Eurodol ars 94-94 per cent i	nominat Short	Lerm rates are	call for US Dol	lars and Japane	se Yen; others, to	o days' moth

Jan.30	Day's Spread	Close	One mouth	22.	Three months	1
s	1.6785 - 1.6890	1.6825 - 1.6835	0.85-0 83cpm	5.99	2.61-2.58pm	6.1
nada	1.9960 - 2.0100	2.0050 - 2.0060	0.34-0 25cpm	1.80	1.10-0 P4pm	2.0
therlands.	3175 - 3.194	3.184 3.194	14-14-00	5.65 4.06	45-45pm	5.6
igium	58.80 - 59.25	59 10 - 59.20	21-19cpm	4.06	66-56pm	4.1
muzek	10 8812 - 10.4414	10.894 - 10.904	25-14 oreum	2.41 ]	74-64 pm	2.4
dand	1.0590 - 1.0695	1,0675 1,0685	0.30-0.25ppm	3.09	0.90-0 80pm	3.1
. Germany	2.814 - 2.83	2824-283	14-140000	6.37	45-45 pm	6.3
rtogal	247.05 - 248.75	247.60 248 60	par 35cdls	-0.65	90-18bdls	-22
aln	182.10 - 182.90	182 50 - 182 80	10-1com	0.36	86-76pm	1.7
ly	2097 - 21044	21025 21035	4-211repm	1.71	12-8pm	19
מסול	10 89 - 10,9312	10.90 - 10 91	3-212 occom	3.03	9-600	31
1007		9.605-9615	314 - 3cpm	3.62	43-43 pm	1.9
eden		10 27 - 10.28	N/A	N/A	NIA	N/
020		2414 - 2424	15-15ypm	7.43	45-45 000	7.4
graz	19.79 - 19.93	1983 19.86	U - 10groom	6.39	31 4-285 pm	6.0
rizerland .	2494 - 2514	2504 2514	1-3cpm	4.49	34-2400	4.7
U	1.3780 · 1.3810	1.3800 1.3810	0.43-0.4Gcpm	3.61	1.26-1.21pm	3.5

DOLL	AR SPOT	FORWAR	D AGAI	VST	THE DOL	LAR
Jan.30	Day's spread	Classe	One arouth	% p.a.	Three	Pi
Kt	1 6785 - 1.6890 1.5750 - 1.5845	1.6825 · 1.6835 1.5750 · 1.5760	0.85-0.83cpm 0.45-0.40cm	5.99 3.24	2.61-2,58pm 1.39-1.29pm	6.17
anada euterlands .	1.1855 - 1.1935 1.8800 - 1.8940	1.1900 - 1.1910 1.8930 - 1.6940	0.41-0.44cdts 0.05-0.08cdts	-0.41	1.20-1.24dis 0.16-0.21dis	-4 10 -0.39
eduran	6.454 -6.494	35 10 - 35 20 6.47 2 - 6.48	5.00-8.00m/s 1.90-2.10aredis	·2.23 ·3.70	16.00-21.00ais 5.85-6.35db	-2.11 -3.76
Cermany ortugal	1.6675 - 1.6820 147.40 - 147.65 108.00 - 108.80	1.6800 · 1.6810 147.40 · 147.50 108.25 · 108.35	0.05-0 63etyra 75-90cds 50-60cds	0.29 -6.71	0.05-0.01pm 290-340ds	0,07 -8.55
	12404 - 12494	12494 - 12494	4,20-4.90liredis	-4.08 -4.37 -2.91	172-18266 13.30-14.30ds 5.05-5.456s	-6.52 -4.42 -3.24
rance		5.704 - 5.714 6.104 - 6.104	1.03-1.10mls	-2.24	3.50-3.65dls	-2.51
1034	142 90 - 144 15	143.95 144.05	0.19-0.17ypen 0.70pm-0.25gdls	1.50 -0.48	0.46-0.43pm 0.35pm-0.85dis	124 -0.20
etteriand .	1,4765 - 1,4910	1.4890 - 1.4900	0.15-0.20cdts	1.41	0.51-0.56dis	-0.20 -1.44

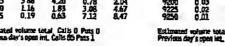
·U	1.2115 - 1.2200	1.2150 - 1.2160	0.26-0,2-tcom	2.47	0.85-0.80pm	2.7
emercial ra emiums and incs. Flugge	ntes taken towards the I discounts apply to t cial franc 35.00-35.	end of London gradies the US dollar and not 10.	g.† LIK, prejand and No the individual c	ECU are qui arrency. B	oted or US currency, elglan rate is for co	Forward

EMS EUROPEAN CURRENCY UNIT RATES								
	central rates	Currency amounts against Eco Jan.30	% change from central rate	% change adjusted for divergence	Disargence fimit %			
eigian Franc, Janish Krone erman U-Mark erman U-Mark ernach Franc, bruch Guilder eish Punt spanish Peseta	42.1679 7.79845 2.04446 6.85684 2.30358 0.763159 1529.70 132.889	42,6464 7,88243 2,03864 6,92750 2,29779 0,769865 1516,53 131,795	+1.14 +1.08 -0.28 +1.03 -0.25 +0.88 -0.86 -0.82	+1.14 +1.08 +1.03 +1.03 +0.55 +0.86 -0.86	±1.5508 ±1.6453 ±1.1762 ±1.3618 ±1.5272 ±1.6689 ±1.5162 ±4.2705			

Jan.30	٤	5	DN	Yes	F Fr.	S Fr.	H FL	Lira	C \$	O Fr.
£ S	0.594	1.683	2.828 1.680	242.3 144.0	9.61 5.720	2.508 1.490	3.188 1.894	2103 1250	2.006 1.192	99.15 36.15
OM YEN	0.354 4.127	0.595 6.946	11.67	85.68 1000.	3.398 39.66	0.887 10.35	1.127 13.16	743,6 8679	0.709 8.279	20.92 244.1
F Fr. 5 Fr.	1:041 0.399	1.751 0.671	2.943 1.128	252.1 96.61	10. 3.832	2A10	诩	2188 838.5	2.087 0.300	61 55 23.58
y FJ. Lim	0.314 0.476	0.528 0.800	0.887 1.345	76.00 115.2	3.014 4.570	0.787 1.193	1.516	659.7 1000,	0.629 0.954	18 55 28 13
CS 8 Fr.	0.499	0.839	1410	120.8 409.6	4.791 16.25	1.250	1.589	1048 3555	3391	29,49 100.

### FINANCIAL FUTURES AND OPTIONS





28-YEAR £58,800	9% NOTES 32ab of 18	W GLT		
Mar Jun Sep	00% 88-02 89-04	88-26 89-22	88-01 89-06-	

THE TOTAL	
y 201195 8% nd of 180%	
	open lat. 35:

Estimated volume 3999 (2130)
Estimated volume 3999 (2130) Previous day's open lot, 5475 (5427)
ASL SOTTOMAL CERESAN COVT. BOND

Previous	₫37's open in	44074 1	906077	
6% ISST	YOMAL LUNG LOOM 100ths	TEM A	PAWESE DE	WT.
Mar	96.98	97.45 97.45	96.98 97.00	97.

Mar Jon Sep	96.98	97.45 97.35	96.98 97.00
Estimate Previous	d volume 354 day's apen la	(376) L. 193 (79	n
THESE A	HETH STEW	TIME	

Mar	85 04	High RS.12	85.04	97e
Jun	85 63	85.74	85.63	85.6
Sep Dec	86 24	86.34	86.24	86.2
Mar	86.73 87.15	86.83	86.72 87.15	86.7 87.1
Jun	87.55	87.65	87.55	87.5
Jun Sep Dec	87.95	85.05	87.95	87.9
Dec	88.26	88.36	88.26	88.2

THESE MONTH EDWINARK SMI I'm points of 100%.						
Adar Jun Sep Dec Adar Jun Sep Dec	Cless 91.55 91.46 91.45 91.52 91.72 91.92 92.08 92.19	High 91.61 91.52 91.50 91.74 91.74 91.98	153 91.53 91.45 91.44 91.52 91.74 91.98	91.91.91.91.92.092.092.092.092.092.092.092.092.092.		

ECH TWO	HOPTH ECU Points of 100	0%		
Mar Jou Sep Dec	88.79 88.90 89.31 89.50	High 88.82 88.97 89.33	88.77 88.90 89.33	

FT-5E 1	tell ledex po	tat .		
Milar Jun Sep	2345.0 2387.0 2381.5	High 2350.0	2332.0	2550 2593 2438
Estimate Previous	ed volume 502 day's open in	23 (3444) 4. 22756 (	22849)	

### Spot

US THEASURY BOND FUTURES BYTHING					LIFFE BL		HES MITE # 166%	WS.	
ME 29 0123 456	3-59 3-01 2-08 1-24 0-12 0-06	Jun 4-21 3-37 2-58 2-20 1-41 1-15 0-58 0-42	Patr 4: 18 1	241 0-41 0-57 1-14 1-61 1-61 2-35 3-14 3-62	5trike Price 8650 8700 8750 8850 8850 8950 8950	637 0.27 0.29 0.59 0.21 0.13 0.06	100 2.30 1.96 1.65 1.35 1.14 0.92 0.74	Puts se Mar 0.18 0.19 0.50 0.76 1.12 1.54 1.97	0.66 0.76 0.95 1.18 1.44 1.72 2.04
ated as d	TOUTH S	etal, Calle et Calls 70	1579 Pag 25 Pag 25	82 72	Estimated Previous d	volute to	stal. Calis . el. Calis 37	1798 Pats 670 Pats 3	2805 6522

854 4.93 2.64 1.38

PUIS And 0.46 0.71 1.67 1.54

32,908

1111 10.98 10.75 10.45

Mortera Bank Ltd

Provincial Bank PLC
Routeryle & racte
Royal Bk of Scotland
Royal Trest Bank

Scott & William Sess.
Standard Chartered

United Microbi Bank ..... 

Members of British Merchant Banking & Securities Houses Association. Deposit new 5.9% Saewise 8.5%. Top Thr-£10,000-lostant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

Open In 9,888 5,771 916 155

0.11 0.25 0.59 1.72

3.02

LIFFE SHORT STEELING SPTI

0.08 0.11 0.19 0.26 0.35 0.47

SPITCH ON LING-TICKE FRENCH MIND GLATTET

ted volume 5,417 Total Open Interest 7,136

CAC-46 FUTURES DAKTO

ABN Bank

Adam & Company Alfied Trust Bank

Heary Assistate
 Associates Cap Corp
 Aethority Bank
 B & C Merchant Bank

Bank of Baroda ... Banco Bilban Viscana Bank Credit & Comm
Bank of Oppus
Bank of Oppus
Bank of Irrigad

Bank of India 

Brit Bk of Mid East.

Brown Skipley
 CL Basis Mederland
 Chartestonse Basis

City Herciants Bank ....

CALLS

CHICAGO

LCNDON (LIFFE)

alec us	volume 242 Lay's open in	959 (14549 L 35268 (	1) 34624)	Mar Jun Sep Dec	20.13 20.13	92.73 92.17		
(E.A	SUZY BOND 32mm of U	5 4% 50%			Mar Jee Sep	:	Ξ	
	92-27 92-22	High 43-14 92-20	1.0W 92-24 92-20	93-20 93-14		SURY MILLS	0000	_
ated	volume 399	9 (2130)	427)		Max	92.52	High 92 52	i

	Close	Mich	100	Pre
Mar	96.98	97.45	96.98	97.9
Jan Sep	96.98	97.35	97.00	97.9

THREE I	POINTH STER points of 1	Ling My		
	Clase	High	Low	Pres.
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Jun Sep Det	86 24	86.34	86.24	86.25
Dec	86.73	86.83	86.72	86.74
Mar	87.15	87.26	87.15	87.16
Jun Sep Dec	87.55	87.65	87.55	87.56
Sep	87.95	85.05	87.95	87.95
Dec	88.26	88.36	88,26	88,25

For Vot Cor. Flore and channel 7511 641275

Previous day's open Int. 57777 (37490) THERE INDUSTRIES IN DISTRICT DISTRICT THERE INDUSTRIES THE INDUSTRIES TH								
fdar Jun Sep Dec Adar Jan Sep Dec	Cless 91,55 91,46 91,45 91,52 91,72 91,92 92,08 92,19	91.61 91.52 91.52 91.50 91.74 91.74 91.98	91.53 91.45 91.45 91.52 91.74 91.98	91.57 91.48 91.49 91.52 91.70 91.91 92.08 92.19				

THREE IN	HONTH ECU points of 15	0%		
May Jos Sep Dec	88.79 88.90 89.31 89.50	High 88.82 88.97 89.33	88.77 88.90 89.33	8888
	d wotome 331 day's open to		80 <b>0</b>	

FT-5E 1	tell ledex po	<u> </u>		
Milar Jun Sep	2345.0 2387.0 2431.5	High 2350.0	2332.0	250.5 250.5 250.5 2438.0
Estimati Previous	ed volume 502 day's open in	23 (3449) 4. 22756 (	22849)	

#### POUND-S OF OREIGN EXCHANGED 1-mth 3-orth 6-orth 12-orth 16746 16571 16328 15925 MIN-STERLING So per £ Low Pro. 16666 16664 16416 16410 16200 16182

6 months US Bollars

8.30-8.45

112-123

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8.00 9.50

Treasury Bills and Bonds

154

FT LONDON INTERBANK FIXING

MONEY RATES

7.90-8.05

178-157

15 14

Treasury Bills (sell): one-month 1433 per cent; three months 1437 per cent; Bank Bills (sell): one-month 1433 per cent; three months 1433 per cent; Treasury Bills; Average tender rate of discount 14.4529 p.c. ECGO Fixed Rate Steeling Export Finance. Make up day January 31, 1990. Agreed rates for period February 26, 1990 to March 25, 1990. Scheme it 15.89 p.c., Scheme III & III: 16.43 p.c. Reference rate for period Dec.30.1989 to January 31, 1990. Scheme IV2AV: 15.199 p.c. Local Authority and Finance Houses seen days notice, others seven days fixed. Finance Houses Base Rate 15½ from January 31, 1990. Bank Deposit Rates for some steren days notice 4 per cent. Certificace of Tax Deposit (Series 6½ Deposit \$100,000 and over held under one month 11½ per cent; one-time emonths 13 per cent; three-tim months 13 per cent; six-nine months 13 per cent; under £100,000 11½ per cent from Oct 9,1989. Deposits withdrawn for cash 5 per cent.

LONDON MONEY RATES

7.75-7.90

144

1413

144

14%

(11.00 x.m. Jan 30) 3 months US dollars

**NEW YORK** 

Broker loan rate Fed.funds ... Fed.funds at inte

Jan 30

Interbank Offer
Interbank Bid
Sterling CDs.
Local Authority Deps.
Local Authority Bonds in Discount Mikt Deps.
Company Deposits
Finance House Deposits
Finance House
Bills (Buy)
Bank Bills (Buy)
Bolize CDs.
SDR Unked Dep. Gffer
ECU Linked Dep. Offer
ECU Linked Dep. Bid ...

### SPONSORED SECURITIES

BASE LENDING RATES

Co-contrative Bank

Coutry & Co.
Cypres Popular Bk.
Douber Bank PLC
Duncan Lawrie

Equatorial Bank ptc. Exeter Trest Ltd.....

Financial & Ges. Bank ... First National Bank Pic. • Robert Flexing & Co. ... Enbert France & Plots. ...

HFC Bank ptc.

HEC Bank ptc.

Hampshrus Bank
Hampshire Trust Ptc.
Heritable & Sen las Bak

dir (c) 343 295 Ass. Brit. led. Ordinary

и	38	23	Armitage and Rhodes	21				7.2
я	210	146	Bardon Group (SD	181	0		-	-
1	125	744	Baron Group Sci	281	0	4.3	24	17.6
н			Bardon Group Cr Pref (SE)		0	6.7	6.0	-
J	123		Bray Technologies	77	0	5.9	7.3	6.8
1	110		Brankfil Coov, Pref		0	11.0	115	
ı	104		Brentalii 04 % Kew C.C.R.P			11.0	115	
F	311	285	CCZ. Group Ordinary	311	41	14.7	4.7	3.6
1	176	165	CCL Group 11% Com. Pref	165	0	14.7	29	3.6
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1					. 0	-	-	•
ł		حصيا	Magnet Co Hon-Vollag B Cor	0.125	0	-		-
ı		102	ISIS Group	102rd	-3	S.D	7.8	5.8
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6	160		Unistrat Europe Conv Pref		0	9.3	5.9	_
1	395	350	Veterinary Drog Co. PLC	350	0	22.0	6.3	9.4
ı	370	299	W.5Yestes	299	-1	16.2	5.4	
ļ	Seco	rities é	esignated (SE) and (USN) are dealt	in subject t	n the rater -			

MET THE DESIDED COLUMN TO SEE IT SHOULD BE THE THE OF THE These securities are dealt in strictly on a matched bargain backs. Helther Scamille & Co.
Limited nor Granville Davies Limited are market makers in these securities

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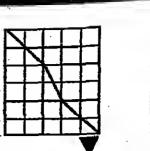
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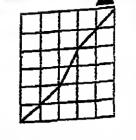


-11 GROSVENOR GARDENS, LONDON SWIW OBD Tel: 01-828 7233 AFBD member WALL STREET

Jan. 2318/2328 -3 | Feb. 2536/2548 -12 Mar. 2338/2348 -2 | Mar. 2546/2558 -12 5pm Prices. Change from previous 9pm close

#### FINANCIAL TIMES WEDNESDAY JANUARY 31 1990 WHERE CAN YOU EXPECT RISING PROFITS FROM A FALLING MARKET?





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FOOD INDUSTRY The Financial Times proposes to publish this survey on:

6th March 1990

rial synopsis and advertisement details, please JONATHAN WALLIS on 01-873 3565.

> or write to him at: Number One Southwark Bridge London

FINANCIALTIMES

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CAL Futures Led Windsor House 50 Victoria Street London SWIH ONW

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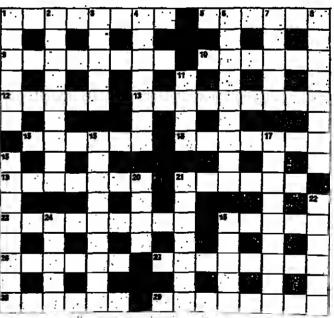
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#### **CROSSWORD**

No.7,152 Set by VIXEN



ACROSS 1 Mark the engineer - a good man, and that's most

uncommon (8)
5 Approve a head's retirement re the end of August (6) 9 When the majority of people can start (8) 10 A king's robe – no innova-

11 Sticks up for the complacent tive design (6)

12 Poetry written say in a cathedral (5) melancholy side? (5,4)
17 Unusual police function (9)
18 One of the ballet company 13 One's backing a politician to might be Sudanese (8)

Plighty creature seen in the bar (4)

Now to get something special for Christmas! (7) reveal the source of dope (9)

14 There's some hitterness over this measure (6) 16 A homb angered constituents (7)
19 Time, the —! Byron (7)
21 Ask searching questions about a set of books in a store (6)

28 Only stone like this came down river (9)
25 Experience discrimination

employed (6)

27 Member of the family arranging travel is movement (8)

28 First arrangement (8) 28 Flush about the French

number (6) 29 Suppress the Left in odd situstion (8)

Food for Northern folk (6) Bring together material for builders (9) An accountant - your old-fashioned woman (5)

6 An officer may offer buns

7 The winger could well have

some regrets (5)
8 Nurse going round in advance is so occupied (8)

15 Sportsman a little on the

22 Always heing accommodated by serving men shows

25 It's up to a painter to pro-vide the jewellery (5)

Solution to Puzzle No.7,151

later (9)

respect (6) 24 Will go (5)

PRALISE COMPOSIED
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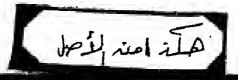
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No.   Contract   Con	Since FO
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B. I.A. Band Investments AG  10 Barrestrate CH5301 Zeg. Seltertoid  217180  10 Sering Gasty (2). 64.87  10 Sering Gasty (2). 64.87  10 Sering Gasty (2). 64.87  11 Sering Gasty (2). 65.84  11 Sering Gasty (2). 65.84  12 Seltertoid Gasty (2). 65.84  12 Seltertoid Gasty (2). 65.84  13 Seltertoid Gasty (2). 65.84  14 Seltertoid Gasty (2). 65.84  15 Seltertoid Gasty (2). 65.84  16 Sering Gasty (2). 65.84  17 Seltertoid Gasty (2). 65.84  18 Seltertoid Gasty (2). 65.8	February   Section   Sec
CSC 104 August Sign Supplement	Part
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Select Mits 5 Prific.   \$2.211	Standard Property Investment PLC
Camery   Institute   Camery   Institute   Camery   Institute   Camery   Institute   Camery   Camery   Institute   Camery   Camery   Institute   Camery   Camery   Institute   Camery	Tr Destarshand F5 00. \$14.08
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Ch'ga Frett, Close

#### NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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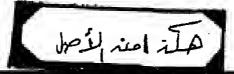
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#### **WORLD STOCK MARKETS**

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NEW YORK DOW JONES Jan	Jan Jan	Jan ( T	0.0400	. Class on			Jan		Jan	Jan		9/90
30	29 28	25 HIGH	989/90 LOW	HIGH	LOW LOW	AUSTRALIA Ali Ordinates (1/1/80)	1695	.8 Kd	26 1684.8	25 1675.3	1781.8 (29/8/89)	1412.9 (7/4/89)
	2553.38 2559.23 2	12/1/90	(3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)	All Mining (1/1/83)	859				875.1 (29/8/89)	652.6 (7)4/890
Bowe Bonds 90.82		91.54 94.15 (2/8/89	(23/3/89)			Ereills Aktien (30/12/84	<b>4</b> 579.	51 574.59	549.47	542.26	531.75 (12/1/90)	219.5 (2/1/89)
	218.44 218.06	15/9/89	3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)	BELGIUM Brasels SE (1/1/80)	6259.	76 6248.50	6203.52	6183.79	6805.28 (26/9/89)	5519.30 (4/1/89)
Utilities 218.69	210.44 218110	(2/1/90	(24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)	Copenhagen SE (3/1/83)	366.	362.65	362.21	363.67	374.24 (18/1/90)	275.49 (27/2/89)
STANDARD AND	POOR'S	ADay's High 25	76.13 (2583.5	6) Low 2513.	06 (252 <u>2.97)</u>	FINELAND Unitas General (1975)	660	B 6640	668.2	642.3	815.8 (18/4/89)	580.B 023/11/891
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Industrials 371.92	374.31 374.58	374.86 (9/10/89 411.20	318.66	(9/10/89) 411.20	0./6/32) 3.62	CAC 40 (31/12/87)	1892.		1886.75	1893.23	2005.42 (4/1/90)	1525 38 (27)2/89
	27.63 27.86	28 02 35.24	24.30	(2/1/90) 35.24	(21/6/32) 8.64	FAZ, Aktien (31/12/58) Commercium (1/12/53)	758.0 2230		751.04 2209.2	748.04 2200.5	776.71 (12/1/90) 2291 3 (2/1/90)	535 78 (22/2/89) 1595 7 (27/2/89)
		19/10/89	(ST/89)	(9/10/89)	(1/10/74)	DAX (30/12/87)	1812.9	0 1811.56	1794 14		1869.66 CJ/1/900	1271.70 (23/2/89)
		(9/10/99	0 (3/1/89)	(9/10/89)	4.46 (25)4/42)	HONG KONG Hang Sent Bank (31/7/	64) 2760.I	80 (d)	ம	2768.86	3309.64 (15/5/89)	2093.61, (5/6/89)
		353.64 397.03 CIO/10/8	9 (3/1/89)	397.03 00/10/89	29.31 (9/12/72)	IRELAND ISEQ Overal (4/1/88)	1833.9	7 1843.99	1847.09	1865,46	1893.10 (22/1/90)	1360.64 (10/1/99)
NASDAQ Composite 430.72	418.11 421.33 4	25,24 485.73 (9/10/89	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)	TTALY Banca Com, Hal, (1972			683.23	686.43	734 84 (31/8/89)	577.49 (28/2/89)
	Jan 26	Jan 19	Jan 12	year ago	(approx.)	JAPAN						
Dow Industrial Div. Yield	4.20	3.99	3.96	3.4		Blockel (16/5/49) Takyo SE (Tapix) 14/1/6	37215.0 2741.3	2 2736,76	2711.15		38915.87(29/12/89) 2884.80(18/12/89)	30183.79 (5/1/89) 2366.91 (6/1/89)
	Jan 24	Jan 17	Of net	year ago (		MALAYSIA	4076.0		4069.81	4087.17	4087,17(25)1/901	2774.38 (27/3/89)
	3.11		294	- 31		MALAYSIA KLSE Composite (4/4/8)		B 6	562.98	560.13	592.90 CL1/L/90)	357,31 (

TOKYO - Most Active Stocks Tuesday January 30 1990

| Stocks Closing Change | Stocks Closing Change | Traded Prices on day | Traded Prices on d



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1864.30 1875.79 1876.80 1888.28 2069.68(10/10/89) 1677.48 (3/1/89)

Millions Jan 30 Jan 29 Jan 26

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(u) 540.5 535.6 534.2 571.0 (4/1/90)

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#### FINANCIAL TIMES

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### Dow declines as speculative issues retreat

Wall Street

A SELL-OFF of takeover stocks, coupled with increased concerns about interest rates, pulled the stock market broadly lower yesterday in fairly active trading, writes

Karen Zagor in New York.
The Dow Jones Industrial average was closed at 2,543.24, down 10.14 points, compared with a drop of 5.85 points to 2,553.38 on Monday. Volume on the New York Stock Exchange was moderate, with 187.7m shares changing hands. On the big board, declining issues led those advancing by 1155 to 394. The stock market slump was broadly based, with all of the major US stock market indices falling. The important Stan-dard & Poor's 500 was off 2.23 points at 322.97, the New York Stock Exchange Composite was 1.31 points lower at 178.42 and the American Exchange Composite fell 4.04 points to

Among other Dow Jones stock averages, the transporta-tion index fell sharply, by 42.67 points to 1,031.83. The utilities index recovered to close up 0.18 points at 218.69 after sliding as much as 2.14 points earlier in the day.

The weakness in the stock market was initially mirrored in the debt market, but bonds later railled on the back of a strong dollar. The dollar, which ended the day at about Y144.95 and DM1.6970, rose on reports that Soviet Premier Mr Mikhail Gorvachev was planning to step down as head of the Communist party. The Treasury's beliwether 30-year issue was quoted up & point, yielding 8.54 per cent. The stock market was some-

what depressed hy remarks hy Mr Alan Greenspan, chairman

of the Federal Reserve, who said that the likelihood of a recession was less than 50 per cent, but that the risk was "not

Hilton Hotels fell \$2% to \$57%. The company's hoard was scheduled to meet yesterday to discuss whether to accept one of several takeover bids, or to recapitalise or to remain a public company.

UAL, the parent of United Airlines and a perennial takeover issue, dropped \$16% to \$1201/2. Stride Rite, another takeover candidate, plunged \$4 to \$20 and DeSoto lost \$21/2 to \$31 1/2. Holiday Corp was down \$1½ to \$58.

Issues of several companies where deals bave failed recently also moved lower yesterday. MGM-UA slumped \$1 \( \) to \$11. Philips Industries was off \$5\( \) to \$12\( \) and Birmingham Steel fell \$% to \$15%. MC1 Communications

which has been a Wall Street favourite thanks to recent plunged \$3 % to \$31 % in heavy over the counter trading after the company reported disapfevourite thanks to recent political changes in eastern Europe, dropped \$2 to \$22%. Among blue chip stocks, Philip Morris was up \$% at \$37%, IBM rose \$% to \$97% and Coca-Cola fell \$1% to pointing fourth-quarter operating income of 53 cents a share. United Telecommunications was down \$1% at \$31% in

GOLD stocks were the only sector to move against a mar-ket decline in Toronto. Prices finished lower for the fifth day in succession, with the composite closing 15.52 lower at 3707. Declines outnumbered advances 417 to 231.

shares, worth C\$354.6m, from yesterday's 19.2m shares, worth C\$243.2m.

Turnover picked up to 27.3m

Gold stocks were generally higher, rising 1.7 per cent on index, in spite of a drop in the

### Worries about short-term prospects trim early gains

Tokyo

THE YEN'S continued firmness against the dollar failed to entice investors back into the market and share prices drifted marginally higher in slow trad-ing, writes Michiyo Nakamoto

in Tokyo.

A lack of new incentives and uncertainty about the market's near-term prospects undermined an initial uptrend, while selling in arbitrage with the futures market also trimmed the Nikkei's earlier gains. After fluctuating from a high of 37,336.11 to a low of 37,192.23, the Nikkei closed with a slight gain of 41.97 at 37,215.67. Index linked buying by newly launched investment

trust funds, along with futures-related trading, took the Nikkei index higher in the Nikkel Index inguer in early trading, with a rise of more than 130 points in the first 15 minutes of trading. Advances led declines by 546 to 372, while 200 issues were to 372, while 200 issues were unchanged. Turnover was up slightly to 477m shares from the 430m traded on Monday. The broad-based Topix index saw a moderate gain of 446 to 2,741.22 and, in London trading, the ISE/Nikkei 50 index rose 1.64 to 2,051.08.

Mr Mitsuru Maekawa at Jardine Fleming said that, although prices had fallen in some sectors to attractive levels, the uncertain future for the market was making it very difficult for investors to go bar-

gain-hunting.

Although it was possible that the Nikkei had bottomed out, as it had rebounded above the 37,000 level after falling below it several times, there was concern that it could fall further, Mr Maekawa said. At the same time, most ana

lysts thought that, as investors' cash positions are high, there could be another run before the closing of books at the end of March. Such a sce-nario, however, depended on whether or not political stability could be maintained, both up to and after the national elections to the Lower House of the Diet scheduled for mid-Feb-

Even if the ruling Liberal Democratic Party maintained a majority, there was still a pos-sibility that things could

become complicated by fac-tional infighting over the prime minister's post after the elections.

The fragility of the market was clearly reflected in its reaction to Sony's announcement that it plans to issue yen warrant bonds. At a time when hopes had been pinned on electricals to lead the market, news of the financing plan took Sony's share price down Y340 to Y8,310. If the market had heen healthy, it would have ignored the news, one trader said.

Other electricals were also weak, with Toshiba falling Y30 to Y1,200 and Pioneer off Y100 at Y5.950.

at Y5,950.

Heavy capitalisation issues, on the other hand, were back in focus. Kawasaki Steel topped the actives list with 38.8m shares and gained Y21 to Y829. Ishikawajima Harima Heavy Industries followed with 10 7m shares and was Y30 to 19.7m shares and rose Y30 to Y1,350. Snch issnes were looking cheap as they had been neglected for some time.

Issues supported by strong domestic demand, such as housing and railway stocks, were pursued in Osaka contributing to a 221.35-point rise in the OSE average to 38,157.78. Volume improved to 61m shares from the 58m traded on Monday. Toyo Shutter gained Y280 to Y3,690.

Roundup

TALK OF a forthcoming elec-tion hoosted Australia in a mixed day for the Asia Pacific region. As one analyst put it: "Most of the markets tried to go better at the opening. They started with a bit of a rally, but that soon brought the sellers ont." Taiwan and Malaysia remained closed for the new

year holiday.
AUSTRALIA warmly welcomed late afternoon speculation that Prime Minister Mr Boh Hawke would announce the date for a federal election. The All Ordinaries index rose 12.0 to 1,695.8 after the long Australia Day weekend.

However, a downgrading of some of the deht of National Australia Bank and Westpac by credit-rating agency Moody's investors Service put pressure on the banking sector. National Australia Bank fell 2

cents to A\$6.80, Wespac shed a cents to A\$6.06 and ANZ slipped 6 cents to A\$5.32 Turnover totalled 118m shares worth A\$20 m. consid-

eraoly lighter than Friday's 167m valued at AS:65m. BHP, the resources sector leader, added 21 cents to AS10.05 after finding support in a weaker Australian dollar. firmer base metals prices and demand for scarce quality

News Corp cast a cloud over the media sector, with a 30 cent fall to A\$12.50 amid concerns about its debt. SINGAPORE took its lead from Tokyo, with the Straits Times industrial index rising 28.61 points. Turnover was

moderate at 90m shares valued at S\$183m. HONG KONG encountered slight selling by overseas investors which local investors investors which local investors failed to follow, while trade was generally thin after the holiday weekend. The Hang Seng index fell 8.06 to 2,760.8 and turnover slipped to a thin HK\$519m compared with last Thursday's HK\$523m.

Overseas interest helped

Overseas interest helped Cheung Kong, the colony's biggest business empire, rise 10 cents to HK\$3.95.

Mandarin Oriental, the luxury hotels group, added 15 cants to HK\$5.10 on speculation that it might be the target of a French predator. One anaof a French predator. One analyst said that it was being singled ont because "it seemed most likely to be the stock that would shine through the doom," in spite of pessimistic figures for hotel occupancy.

MANILA eased on profit-taking in weak activity. The

Manila composite index dipped 2.28 to 1,063.64. WELLINGTON was again volatile. The Barclays index fell 16.51 to 1,923.87 as turnover returned to a moderate 6m shares worth NZ\$10m.

SEOUL fell sharply in active

trading. The composite index lost 8.85 to 888.47. BOMBAY fell across the board as brokers ended their boycott. Trading resumed after the stock exchange authorities reduced the penalties which it imposed on two brokers last week for failing to deposit margin money on their outstand-

index fell 15.15 to 701.08.

### Special situations caught in the spotlight

INDIVIDUAL stocks and sectors provided much of the excitement in Europe yesterday, as France retreated and West Germany closed little changed, writes Our Markets

PARIS was steeped in pessimism and share prices declined in another low-volume session. but there were a few buying opportunities which attracted

The CAC 40 index, which lost 12.68 to 1,892.03, was hit hy a 15.7 per cent fall in Casino, a retailer and the most active stock. Some analysts had cut significantly their estimates of sales for the second half, catching the market by surprise, said one observer. Casino dropped FFr22.20 to FFr164.

Fromageries Bel moved in the opposite direction, gaining FFr120 to FFr2,400, ft rose partly because it looked cheap after recent falls, and partly on takeover speculation.

The oil group Elf Aquitaine declined after estimating that net profits would be below expectations at more than FFr7bn, after a FFr3bn depreciation charge. Its shares lost FFr12 to FFr544 on profit-taking after their recent rise. Bouygues, the construction company, eased FFr10 to FFr585 after reporting earnings in line with expectations.

Micbelin, the tyre company, continued to bounce about, los-ing FFr4 to FFr159 after Monday's FFr6 gain and Friday's FFr11.50 loss. There are rumours that the company is planning a capital increas Overall turnover was esti-

mated at FFr2bn. FRANKFURT concentrated on the chemical sector, which advanced strongly in a generally mixed market. The DAX index was up only 1.02 at 1,821.57 at the close, recovering from an early fall of about 8 points, and the FAZ rose 0.46 758.64. Turnover rose from

DM6.9bn to DM7.3bn.
"The key factors that have heen subduing the market have been events in the Soviet Union and the growing politi-cal vacuum in East Germany. The market has taken some comfort from the calling of early elections there," said one

Chemical stock turnover was high with much demand from overseas. Investors sensed that the sector was undervalued and reacted to positive analysts' recommendations and speculation about higher divi-dends. BASF was up DM9.30 at DM307.30. Bayer put on DM9 to DM314.50 and Hoeschst rose DM7.80 to DM303.10.

"The attraction of the fundaknown. Japanese investors bave been buying beavily because they see the stock as a good, longer term prospect with p/e ratios of 7.5 and sometimes lower, sound dividends and good liquidity," an analyst

Deutsche Bank led its sector lower after rumours, later confirmed, of a capital increase at the country's largest bank. It fell DM4 to DM812. The bank has set a one-for-17 rights issue priced at DM600 and is raising its dividend on 1989 results to DM14 from DM12.

DM14 from DM12.

AMSTERDAM saw foreign buyers creep back into the market, helping shares make gains in moderate volume. The CBS tendency index added 1.0 to 112 f

Some large hny orders for Nedlloyd swelled turnover; the stock gained Fl 2.60 to Fl 84.90. Royal Dutch rose Fl 2.90 to Fl 142.10 in the day's most active trading and Unilever

#### **SOUTH AFRICA**

GOLD shares eased slightly in quiet Johanneshurg trading, giving up part of Monday's

picked up Fl 1.30 to Fl 150.60. Heineken, which said it would cut 700 jobs in the next fonr years, rose Fl 2.10 to Fl 118.60. Philips, which signed a Fl 80m contract with the education ministry, gained 10

heavy trading, reflecting con-cerns about the long distance

telephone industry after MCI's

lower earnings and comments from American Telephone &

Telegraph, saying the company

expects a slowdown in growth for 1990. AT&T fell \$1% to

\$37%. It was the most heavily

traded stock on the New York

Boeing gained \$% to \$58% in spite of lower-than-expected

fourth quarter earnings. Analysts believe losses from the

company's defence and space unit, which were \$474m in 1989, have finally hottomed out.

A number of closed-end sin-

gle-country funds moved lower yesterday. The Germany Fund,

Stock Exchange yesterday.

cents to Fl 43.
BRUSSELS was again mixed because of interest rate fears, with activity centred on Cockerill, the steel group, which made a strong start in heavy trading. The cash market index rose 11-26 to 6,259.76. Cockerill improved by 1 per cent, adding BFr2 to BFr199 as

164,500 shares changed hands. Fabrique Nationale Herstal the small arms, sporting goods and aeronautics group, forecast consolidated net loss for 1989. It fell BFr10 to BFr457. Petrofina eased BFr50 to

BFT11,825. After the close, the

company reported an 8 per cent profits rise. Société Générale de Belgique, the holding company, again denied a report that it was negotiating the sale of a large stake in its metals arm, Acec-Union Minière, to RTZ, the UK mining group. Société Générale put on BFr50 to

MADRID continued to edge igher on institutional demand after last week's retreat. The construction sector again per-

formed well, with Urbls gaining 14 percentage points to 411 per cent of par. Banesto, the bank, which moved on to the continuous market on Monday, rose Pta50

to Pta4.260 after the previous day's Pta175 decline. The general index gained 1.64 to 279.49.

MILAN fell on a broad front in thin trading. A negative tone was blamed on domestical tension and uncerpolitical tension and uncertainty in financial markets abroad. The Comit index fell

4.68 to 679.99.

Much of the negative tone stemmed from reaction to last week's Fiat earnings report. Fiat lost L70 to L10.505 at the close, but then fell to L10,380 in the after-market.

STOCKHOLM moved slightly igher in trade reduced to a trickle by the wage dispute, which has crippled the entire Swedish banking system. Total turnover was a tiny SKr35m. The Affārsvārlden General index rose 9.5 to 1,227.4. HKLSINKI fell in thin trade, with shares in United Paper Mills closing sharply lower. The Unitas all share index

shed 3.2 to 660.8. UPM free

shares dropped FM30 to FM221 after rising recently, OSLO closed mostly higher in active trading. The all-share index rose 1.14 to 565.72.

### Cilva Holdings PLC

a consortium composed of

Lease International S.A.

**General Motors Corporation** 

and

Avis Inc.

has acquired

Avis Europe plc

The undersigned acted as financial advisers to Cilva Holdings PLC

Lazard Brothers & Co., Limited

Lazard Frères & Co.

January 1990

### Turkey survives fake shares and a bomb

Jim Bodgener on the bull run that some analysts say is a bubble that could burst

STANBUL's emerging was the exclusion on security stock market, the IKMB, appears to have weathered investors from the exchange the squalls following a dummy share scandal and a botched terrorist bomb attack last week. Yesterday, after a few days in sackcloth and ashes, it seemed to be back in the bull run which dates back to the beginning of January.

At close of trading yesterday, the IKMB index was 3,470 on a trading volume of TL73.9hn (\$31.4m), np from 3.199 on Monday. It last peaked at 3,811, mid-way through last

Altogether, five people have been taken into police custody, pending an investigation by the government and the watch-dog Capital Markets Board (CMB) in Ankara into the issue of fake shares in the market leader, Cukurova Elektrik. The shares had been floating undetected on the market from November: a statement from the authorities is expected

later this week. But what seems to have brought the index down, according to both stock

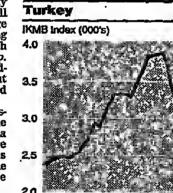
building following the bombing attempt on Tuesda the terrorist blew himself up. Only leading brokers and traders - by Istanbul standards, at least -- have been permitted entry.

"It has led to a better, professional atmosphere," says one dealer in a subsidiary of a large bank. "The exchange management, anyway, was looking for a reason to stop the small fry clogging up the

The minor slump has come as a salutary lesson to an overheating market, say exchange officials and traders. In spite of the recent setback, the index yesterday was showing a rise of more than 50 per cent from the 2,217 it reached on the last

day of husiness in 1989.

There are mixed predictions about the path the market will take from now on: some say that it will probably start fall-ing again towards the end of the week, others that it has bottomed out, and will begin to climb again. "It is a dangerous,



unpredictable market for small investors, who are most exposed to large fluctuations," said an exchange source.

Other critics say that the market has risen out of all pro-portion to corporate perfor-mance, and that last week's events only deferred the hursting of a dangerous bubble, They argue that, to safeguard the capital markets as a whole, the family owners of large corporations should release more of their jealously guarded

equity, which would then soak up unrequited investment Foreign investor interest in

US and European-based funds has boosted the market since last August, when it was opened to direct foreign investment hy deregulation in a decree aiming at lira convert-

Meanwhile, the phoney share scandal could involve anything between TL10bn and TL100bn. But it has not dented confidence in Cukurova, which had a price/earnings ratio of about 14, and is being pursued by foreign and local investors alike. It was still the market

leader yesterday.

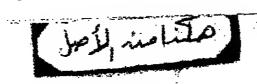
One leading Turkish institution, Iktisat Bankasi, has said
that it will compensate in full (an estimated total TL300m) for the fake shares it transferred to accounts retained with the bank. "I think that the stock exchange is still such a small baby that there's bound to be some mismanagement," said Iktisat chief executive Mr Erol Aksoy. "We're still on a learn-

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

national and Regional Markets _		7UE	SDAY JANI	ARY 30 19	90		MONDA	JANUARY	29 1990	DOLLAR INDEX			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day'e Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Starling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago Jappros	
Australia (84)	151.58	+1.0	133,53	131.72	+0.8	S.18	150.07	132.55	130.90	160,41	128.28	157.12	
Austria (19)	219.88	+ 1.1	193.70	191.51	÷ 1.2	1.35	217.39	192.02	189.18	218.88	92.84	95.03	
Belglum (81)	150.49	+0.0	132.57	130.08	+ 0.0	4.30	150.57	132.99	130.14	160.02	125.58	134.26	
Canada (120)	138.99	~ <b>0.5</b>	122.44	119.82	-0.4	8.34	139,78	123.44	120.27	154,17	124.67	135.3	
Denmark (36)	246.30	+ 1.0	216,97	216.98	+ 1.1	1.46	243.75	215.30	214.66	250.34	185.35	154.4	
inland (26)	148.23	+0.4	130.58	122.80	+0.4	2.54	147.71	130,47	122.37	159.16	118.63	132.8	
rance (125)	149.72	- 0.8	131.89	134,10	-0.5	2.81	150.60	133.02	134.77	157.97	112.57	116.2	
Vest Germany (96)	127.00	+ 0.0	111.88	110.98	+0.0	1.90	127.02	112.18	110.90	130.32	79.56		
long Kong (48)	113.30	0.4	99.61	113.62	-0.4	5.02	113.72	100.45	114.04	140.33	86.41	84.04 127.75	
relend (17)	184.21	- 1.2	171.08	173.69	- 1.0	2.50	196.53	173.59	175.43	198.57	125.00		
aly (98)	97.89	~0.7	86.23	91.34	-0.8	251	98.62	87.11	92.06	102.11	74.97	t85.47	
apan (455)	186.37	~0.4	164,17	169.64	+0.2	0.48	187, 18	165.33	169.37	200.11		81.94	
Aalaysia (36)	226.17	+0.2	199,24	235.01	+0.0	2.28	225.81	199.46	234,99	238.21	164.22	190.90	
Aexico (13)	338.23	+ 1.9	297.96	998.48	+ 1.9	0.52	332.03	293.28	980.16		143.35	154.9	
etherland (43)	138.35	+13	121.87	118.56	+ 1.8	4.50	136.63	120.69		338.23	153.32	160.9	
lew Zealand (18)	69.63	-0.5	61.34	61.88	0.9	5.70	70.01		118.02	145.66	110.63	112.8	
	218.42	+ 1.5	192,41	192.11				61.84	62.40	88.18	62.64	71.1	
iorway (24)	187.60				+ 1.5	1.42	21S.28	190.1S	169.20	219.26	139.92	158.7	
ingapore (26)	227.57	+2.6	165.26	160.84	+2.4	1.61	182.49	181.19	157.01	189.94	124.57	139.0	
outh Africa (60)		-1.5	200.47	167.19	-0.2 ·	3.33	231.14	204.16	167.59	231,14	115.35	125.6	
pain (43)	154,66	~0.1	136.25	126.89	-0.2	4.17	154.78	136.71	127.10	169,75	143.14	148.2	
weden (35)	195.64	+0.3	172,34	176.81	+ 0.1	1.94	195.13	172.35	176.71	206.95	138.45	148.8	
witzerland (62)	94.45	-0.2	83,21	87.22	+0.0	2.05 ·	94.69	83.64	87.20	99,12	67.81	75.8	
nited Kingdom (306)	1 <b>5</b> 9.36	+0.0	140.38	140.38	-0.3	4.50	159.39	140.79	140.79	164.31	133.28	149.2	
SA (542)	130.61	0.7	115.06	130.81	0.7	3.61	131.55	116.19	131.55	148.29	112.13	120.99	
urope (989)	142.09	+0.0	125,17	124.93	-0.1	3.42	142.16	125.57	125.09	146.66	112.63	118.67	
ordic (121)	192.98	+0.7	170.00	165.16	+0.8	1.73	191.65	169.28	164.13	198.12	137.95	143.23	
acific Basin (A67)	182.35	-0.4	160.64	166.04	+0.2	0.73	183.03	161.67	165.78	194.72	160.44		
uro Pacific (1656)	166.44	-0.3	146,62	149.66	+0.1	1.66	166.87	147.40	149.55	174.18		186.79	
orth America (662)	131.02	- 0.7	115.42	129.94	-0.7	3.60	131.85	118.54	130.85	146.66	141.56	159.54	
rope Ex. UK (683)	130.28	Q. 1	114,77	115.40	+0.0	2.70	130.37	115.1S	115.41	134.66	112.79	121.7	
eific Ex. Japan (212)	134.10	+0.7	118.13	121.03	+0.4	4.76	133.22	117.67	120.55		96.30	99.80	
orld Ex. US (1849)	166.18	-03	146.39				166.65	147.20		140.05	111.93	137.4	
orld Ex. UK (2085)	1S1.84	-0.5	133.76	149.09	+0.1	1.73			149.01	173.77	141.49	158,37	
	152.04	-Q.4		143.13	0.2	2.07	152.53	134.73	143.36	162.00	135.98	143.39	
orid Ex. So. Al. (2331)			133.93	142.66	· - 0.2	2.28	152.65	134.83	142.91	161,84	135.67	144,0	
orld Ex. Japan (1936)	136.55	-0.4	120.29	129.05	-0.4	3.57	137.09	121.09	129.58	145.52	1,14.51	121.36	
e World Index (2391)	152,48	0.4	134.34	142.83	-0.2	2.29	153.12	135.25	143.08	.162.05	136.68	143.90	

Malaysian market closed January 30. A full update of prices was unavailable for Finland & Sweden January 29/30.



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NASDAQ NATIONAL MARKET

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Shocks | Pricks | Pri 2200042166 17347 741682 24435 7367 3667 76267 200004132163316 3967 3667 3667 3667 2160004132163316 3667

### ABWIND Description of the property of

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84 -164 -27 -204 -244 -254 -Have your F.T. hand if you work in the business centres of COPENHAGEN OR AARHUS Copenhagen (01) 134441 And ask K. Mikael Heiniö for details. for details.

NASDAQ NATIONAL MARKET

 $x_1 = x_1 + x_2 + x_3 + x_4 + x_4$